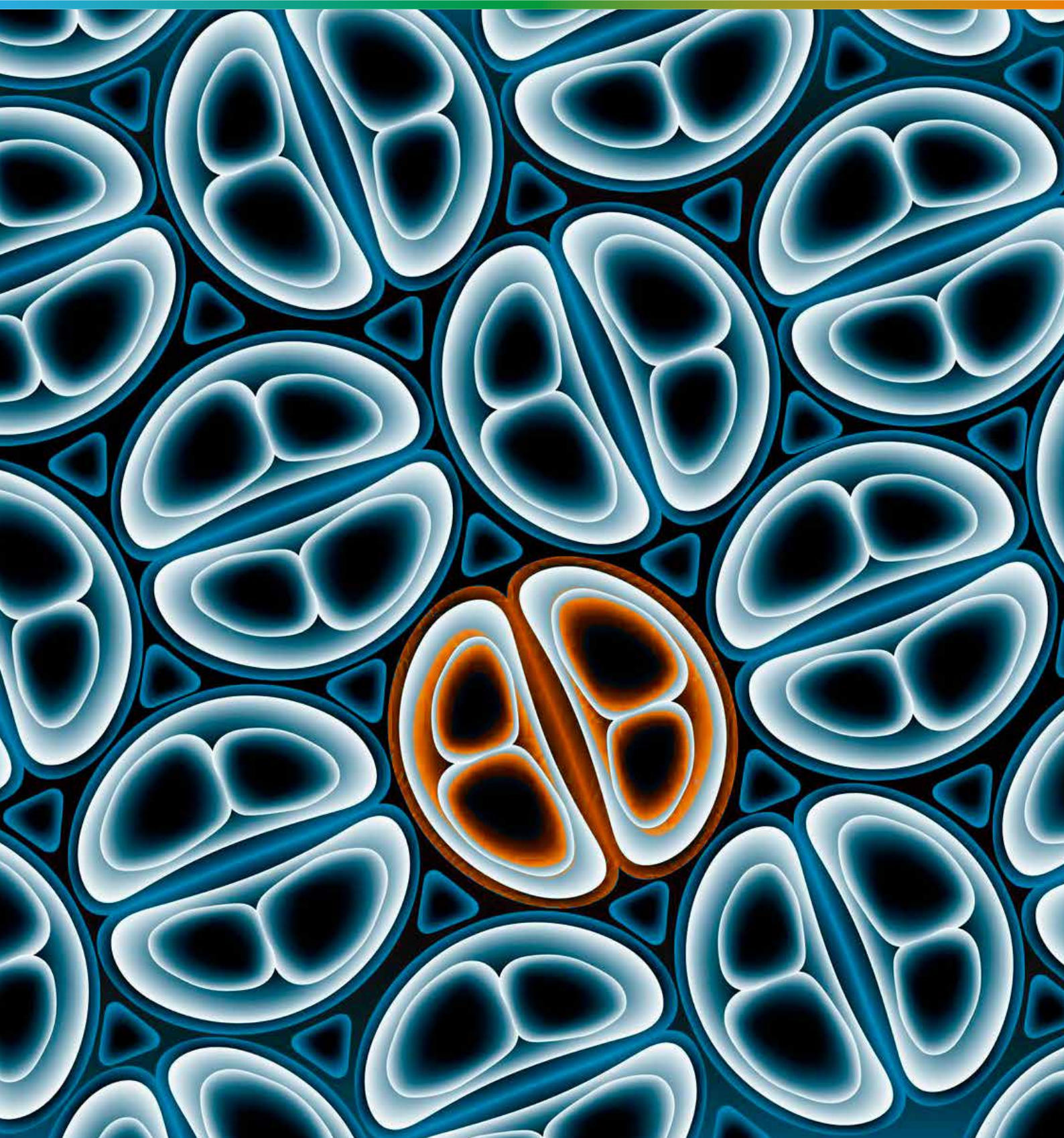




The sustainability content of integrated reports – a survey of pioneers



ABOUT GRI

The Global Reporting Initiative (GRI) promotes the use of sustainability reporting as a way for organizations to become more sustainable and contribute to a sustainable global economy.

GRI's mission is to make sustainability reporting standard practice. To enable all companies and organizations to report their economic, environmental, social and governance performance, GRI produces free Sustainability Reporting Guidelines.

GRI is a not-for-profit, network-based organization; its activity involves thousands of professionals and organizations from many sectors, constituencies and regions.

www.globalreporting.org
Contact: info@globalreporting.org

VISION

A sustainable global economy where organizations manage their economic, environmental, social and governance performance and impacts responsibly, and report transparently.

MISSION

To make sustainability reporting standard practice by providing guidance and support to organizations.

ABOUT GRI'S RESEARCH AND DEVELOPMENT PUBLICATIONS

GRI's Research and Development publications investigate issues around reporting, and suggest innovative ways to apply GRI's Reporting Framework, including with other standards.

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Table of Contents

Executive summary	5
1 Introduction	7
2 Methodology	8
2.1 Analytical review of GRI Sustainability Disclosure Database	8
2.2 Reporters' perspectives	9
2.3 Experts' perspectives	10
3 Research findings	11
3.1 The experimenters – organizations, countries & sectors	11
3.2 Nuts & bolts – report titles, intentions, structures & length	15
3.3 Australia in focus	20
3.4 South Africa in focus	23
4 Reporters' perspectives	28
5 Conclusions	32
6 Experts' perspectives	33
Annex – Responses from reporters who contributed to the research	42

Executive Summary

In 2010 14% of GRI reports¹ registered in GRI's publicly available Sustainability Disclosure Database were self-declared by reporting organizations as 'integrated'. This number rose to 20% in 2011 and projections indicate a comparable or higher number in 2012.

This experimental phase with the concept of 'integrated reporting' started few years ago and with it an international discussion on this practice has also started.

As an attempt to create an internationally accepted concept, late in 2013 the International Integrated Reporting Council (IIRC) - the body co-convened by the Global Reporting Initiative (GRI) and the Prince's Accounting for Sustainability Project (A4S)- will launch the first version of a framework which defines what an integrated reporting comprises. This attempt influences the reporting landscape, but as it is not yet complete and understood, regional trends and other drivers shape the format of these sustainability reports which are also among the first 'integrated' reports.

To evaluate the significance of this trend, GRI has undertaken a combined quantitative and qualitative research approach to review the different ways in which self-declared 'integrated reports' are taking shape around the world. This research includes a special focus on current trends in Australia and South Africa.

The research has not evaluated the detail or quality of 'integration' within individual reports, but considers overall patterns and high-level trends. The result provides a window into how sustainability reporters are innovating and building on existing GRI reporting processes to explore and develop a variety of approaches to integrated reporting in the absence of internationally accepted guidance or in the presence of regional drivers.

The methodology behind the research is discussed in section 2 (page 8). A group of 756 reports - published between 2010 and 2012 - was identified. All reports analyzed in this research are based on the GRI Guidelines, are available in English, and are self-declared to be 'integrated'.

The research findings are presented in section 3 (page 11) and include the following highlights:

- Large private companies² are driving the year-on-year rise in the publication of self-declared integrated reports around the world (page 11)
- Leading countries in this sample are South Africa, the Netherlands, Brazil, Australia and Finland (pages 12-13)
- Globally, the financial sector self-declares more integrated reports than any other sector, followed by the energy utilities, energy and mining sectors (page 14)
- About a third of all integrated reports clearly embed sustainability and financial information together and this proportion is growing year-on-year. In tandem, an increasing number of reports now have the title 'Integrated report' and clearly discuss the significance of integration as part of their content (pages 15-16)
- About half of all self-declared integrated reports are two separate publications – an annual report and a sustainability report – published together under one cover, with minimal cross-connection (page 17)

In addition to the quantitative analysis, GRI also undertook a qualitative question and answer survey amongst 52 companies that have consistently issued 'integrated' reports in all three years, 2010-12, and are therefore pioneers of sustainability reports which are also 'integrated'. The survey was carried out in order to understand their motivation and challenges. 18 companies responded and summary feedback includes the following:

- Companies embark on integrated reporting for a variety of reasons: some to undo the inefficiencies of having two separate reports and reporting processes, to break down corporate silos and inspire more joined-up thinking; others to provide stakeholders with a one-stop-shop which presents the whole corporate narrative regarding value creation and performance on material issues; and the majority because it just seems like the logical and natural thing to do when sustainability is already embedded in their core business (page 28)
- The majority of companies find GRI reporting processes useful to their development of an integrated report, either because GRI helps them defining content at the start of their process, or informs their review of the report at the end of its development (page 29-30)

¹ GRI reports are reports based on GRI Guidelines and including a GRI Content Index.

² GRI classifies a large organization as an organization with headcount of over 250 and a turnover of over €50m or a balance sheet total of over €43m.

- Several reporters grapple with how to select from a range of GRI disclosures to fit with an integrated report structure. They would like to see guidance on how to focus on a more limited set of indicators (page 29)
- Without fail, stakeholders have responded positively to integrated reporting (page 30)
- In terms of advice to reporters embarking on integrated reporting, they recommend to build internal support and secure leadership from the top; they mentioned the importance of reviewing how sustainability is embedded into core strategy so the report is a natural reflection of what

the business is already doing; and ensuring a clear focus on material issues (page 30-31)

Finally, experts in various fields offer their opinion about the integrated reporting trend and the link between sustainability reporting and integrated reporting.

GRI is pleased to share the results of this research into the emerging trends and pioneering practices of integrated reporting, and welcomes all feedback, discussion and insight that we hope this publication inspires.

1 Introduction

The meaning and practice of 'integration' when applied to corporate reporting remain work in progress.

At the time of writing, no globally accepted standards or practices exist with regard to what an integrated report should cover and how it should be constructed to meet the needs of its users. Neither is there clarity on who exactly integrated reports' users are, or how such reports should ultimately be appraised for quality and substance.

There is hope that some of these issues will be addressed later in 2013, when the International Integrated Reporting Council³ (IIRC) - co-founded by the Global Reporting Initiative (GRI) and the Prince's Accounting for Sustainability Project (A4S) in 2010 – publishes the first version of its framework for integrated reporting, based on discussions with leaders from the accountancy profession, business, NGOs, and experts in various fields.

Meanwhile, as the first version of the IIRC framework for integrated reporting takes formal shape and discussions around the globe continue, hundreds of publicly-available reports are already being published with the word 'integrated' in the title or contain statements about information 'integration' in the reports. In recent years, GRI has witnessed a steady increase in the number of GRI Guidelines based reports that organizations are self-declaring as 'integrated' on GRI's publicly available Sustainability Disclosure Database⁴.

In this state of creative flux, the purpose of this publication is to investigate the GRI database of self-declared integrated reports and look back over the three years (2010-12), to explore the different ways in which reporters are currently experimenting with the concept of integration. The research asks questions regarding the types of organizations, countries and sectors involved in experimenting with integrated reporting. The research also explores the different ways in which integrated reports are taking shape: the variety of titles, expressed intentions, different structures and length.

The research analyzed in particular South African trends, where, since 2010, the King III Code on Governance⁵ has required integrated reporting and third party assurance of all South African companies listed on the Johannesburg Stock Exchange. King III has defined an integrated report as 'a holistic and integrated representation of the company's performance in terms of both its finance and its sustainability.'⁶

The research also looks at trends in Australia, where companies listed on the Australian Stock Exchange are required to disclose the extent to which they have met various governance recommendations made by the Stock Exchange's Corporate Governance Council. These so-called recommendations are principles or guidelines, and, for instance, require that: 'a company should consider all material business risks, including environmental, sustainability, financial reporting and market-related risks.'⁷

This publication also summarizes the results of qualitative research into the motivations and experiences of 18 companies in the field of integrated reporting, drawn from different sectors and countries around the world.

Finally, in section 6 experts in the field share their thoughts on integrated reporting and its link to sustainability reporting.

The next sections in this publication provide: a brief overview of the methodology guiding the research before diving into the key findings in the following sections, complemented by views from reporters and experts.

Please note that the publication focuses on describing high-level insights and trends emerging from the data and does not seek to judge or appraise particular reports or approaches to integration in any way.

³ <http://www.theiirc.org/>

⁴ <http://database.globalreporting.org>

⁵ Institute of Directors in Southern Africa, [King Code of Governance](#), 2009.

⁶ Institute of Directors in Southern Africa, [King Code of Governance](#), 2009, p. 54.

⁷ ASX Corporate Governance Council, [Corporate Governance Principles and Recommendations with 2010 Amendments](#), 2nd edition, 2010, p. 33.

2 Methodology

The findings in this publication are based on analytical review of self-declared integrated reports published on the GRI Sustainability Disclosure Database over 2010-12, and on a review of reporter responses to set questions on their motivation and experience of publishing integrated reports. In addition, experts from different areas and countries were approached to answer questions on drivers of integrated reporting and its link to sustainability reporting.

2.1 Analytical review of GRI Sustainability Disclosure Database

The GRI Sustainability Disclosure Database⁸ is a free and open resource that allows users to access all types of sustainability information. For the purposes of this publication, the database was researched against a variety of criteria to surface quantitative and qualitative insights into approaches to integrated reporting, globally and specifically in South Africa and Australia.

- GRI reviewed the database from 2010-12⁹ to identify GRI reports – those based on the GRI Guidelines and including a GRI Content Index – that were self-declared as integrated reports¹⁰. The data set includes only reports available in the English language
- The sample cut-off date of 1 March 2013 means that the **2012 sample draws from approximately 50% of all reports likely to be recorded in the GRI database for that year**. For this reason, 2012 data are useful as an indicative trend, but do not provide a complete annual data set
- The complete research sample comprised 756 GRI reports, with 202 published in 2010, 323 published in 2011, and 231 published in 2012 to date
- The 756 reports in this final sample were drawn from 51 countries and published by 519 organizations across 37 different sectors
- Of these 519 organizations, 25 organizations are also participants in the IIRC's Pilot Program¹¹
- 52 organizations published a self-declared 'integrated report' for each of the three years, 2010, 2011 and 2012

⁸ <http://database.globalreporting.org/>

⁹ The reports usually address the preceding reporting period, so a report published in 2010 will typically refer to activities in 2009.

¹⁰ Self-declared integrated reports are reports that the reporting organizations have indicated as integrated in GRI's Sustainability Disclosure Database.

¹¹ <http://www.theiirc.org/companies-and-investors/>

- Of the 756 reports comprising this sample, the distribution of the declared GRI Application Levels is as follows: 49 declared Level A, 189 declared A+, 113 declared B, 121 declared B+, 139 declared C, 42 declared C+, and 103 were undeclared but reported based on the GRI Guidelines
- 47% of the reports included an Application level with "+" symbol, indicating that the report was externally assured by a third-party

In order to research the main features of these self-declared integrated reports and consider trends and drivers behind the organizations' decision to declare it as such, GRI defined a set of features to be researched which could reveal the main characteristics of these reports, considering that each reporting organization approaches integrated reporting from a different perspective.

The self-declared integrated reports for 2010-12 were investigated against a range of criteria to establish some of the main characteristics and trends, as follows:

- **Organizational information** was collected, such as company name of the reporter, their country of origin, sector, size and organization type (e.g. private, state-owned, NGO, other). Features of the reports, such as the version of Guidelines used, Application Level and link to the report were also noted. This analysis helped reveal which sectors and countries are most active in exploring integrated reporting and whether or not there are trends to be identified in this sample
- **Report titles** were categorized according to whether a publication was called: (a) an annual report; (b) a sustainability or sustainable development report; (c) an annual and sustainability report, or (d) an integrated report. In addition a category for other report titles was included where reports with titles such as 'Report 2010' or 'Citizenship report' were included. This analysis helped reveal if the self-declaration of integrated reporting is reflected in the publication title or not
- **Report length** was captured against five categories: 1-50 pages; 51-100 pages; 101-150 pages; 151-200 pages; 200+ pages. In addition, a category for online-only based reports was included. This aimed to clarify whether integrated reporting is impacting publication length, as there is an expectation that integrated reports are strategic summaries, supported by reports elaborated by, and based on, existing standards

- **Evidence of an explicit intention within the report to produce an integrated report** was recorded and the reported statements noted for reference and review. This analysis helped reveal whether self-declared integrated reporters chose to mention this intention also within their publication and how this was presented
- **The structure of the reports** was evaluated on the basis of its contents list and layout. This led to each self-declared integrated report being categorized as having one of three structures:
 1. a sustainability report that meets GRI sustainability criteria and has been self-declared as integrated, but makes no clear links from sustainability to financial performance – called a sustainability structure
 2. a sustainability report that has been published alongside a separate financial report, but as a single publication under one cover – called a one cover structure; and
 3. a report that has an embedded structure, with clear evidence of inter-linkage between reporting on financial and sustainability performance – called an embedded structure

This structural analysis helped reveal the different ways in which the content of these ‘integrated reports’ is taking shape.

Throughout the research, sample checks of the analysis were made. In particular, a second review was undertaken of all reports that were categorized as embedded to ensure the accuracy of that analysis.

The research and categorization in no way sought to suggest a right or wrong approach to integration, but to explore the breadth and types of response. The highlights emerging from the research are captured in section 3.

2.2 Reporters’ perspectives

In order to gain additional qualitative insights into the motivation and experience of companies already involved in integrated reporting, GRI posed a series of written questions to a selected group of companies from different parts of the world. 52 companies included in the sample had published an integrated report in all three years of the study (i.e. 2010-12) and were contacted via email to answer a short survey. 18 companies (see a list of names in the Annex), from diverse sectors, replied with written responses to the following questions:

- Why did your organization start to combine financial and non-financial reporting? Who made the decision?
- What are the main challenges in preparing an integrated report?
- To what degree has the GRI reporting process helped your organization prepare an integrated report?
- How have stakeholders responded to the integrated reporting format?
- What recommendations do you have for reporters starting out on the journey of integrated reporting?

A summary of key findings of reporter perspectives can be found in section 4.

2.3 Experts' perspectives

Experts from different areas and countries were approached to answer questions on broader trends and drivers of integrated reporting and sustainability reporting. The following contributed to the publication:

- Peter Bakker, President of WBCSD and Deputy Chairman of the IIRC
- Ian Ball, Chair, Working Group, IIRC and former Chief Executive Officer at International Federation of Accountants
- Robert G. Eccles, Professor of Management Practice, Harvard Business School
- Sonia Favaretto, BM&FBOVESPA's Sustainability Officer
- Alex Malley FCPA, Chief Executive, CPA Australia
- Amy Pawlicki, Director, Business Reporting, Assurance and Advisory Services, AICPA
- CMA A.N. Raman, Chair, Sustainability Advisory Group, International Federation of Accountants (IFAC)
- Paul Simpson, Chief Executive Officer, CDP
- Takayuki Sumita, Executive Director, JMC Brussels Office and WICI Chairman

They replied with written responses to the following questions:

- Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports years ago around the globe? What are their drivers?
- Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?
- How do you see the link between sustainability reporting and integrated reporting?
- Any other comments you would like to add or emphasize?

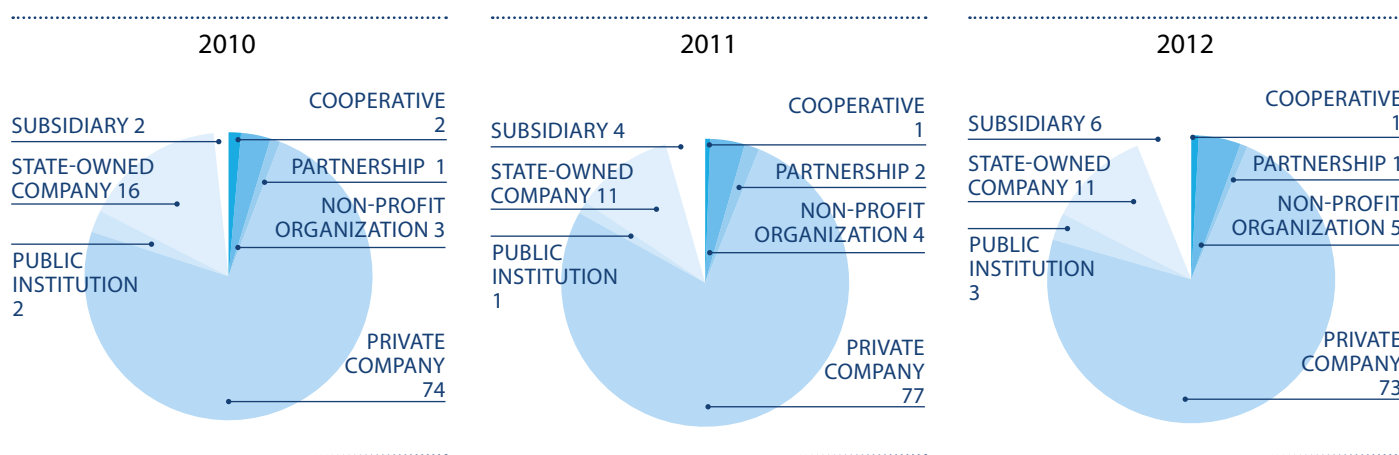
Their answers to these questions are presented in section 6.

3 Research Findings

The research produced an array of results regarding the sorts of organizations experimenting with integrated reporting – the nature of the organization, and the leading countries and sectors. In parallel, it revealed trends in the practical nuts and bolts of how integrated reports are being compiled – their titles, the explicit intentions within each report regarding integrated reporting, the structure of publication and length. These results are discussed in the following sub-sections, followed by in-focus analysis of results and trends in Australia and South Africa.

3.1 The experimenters – organizations, countries & sectors

Figure 1: Type of organizations publishing self-declared integrated reports (%)



Organizations

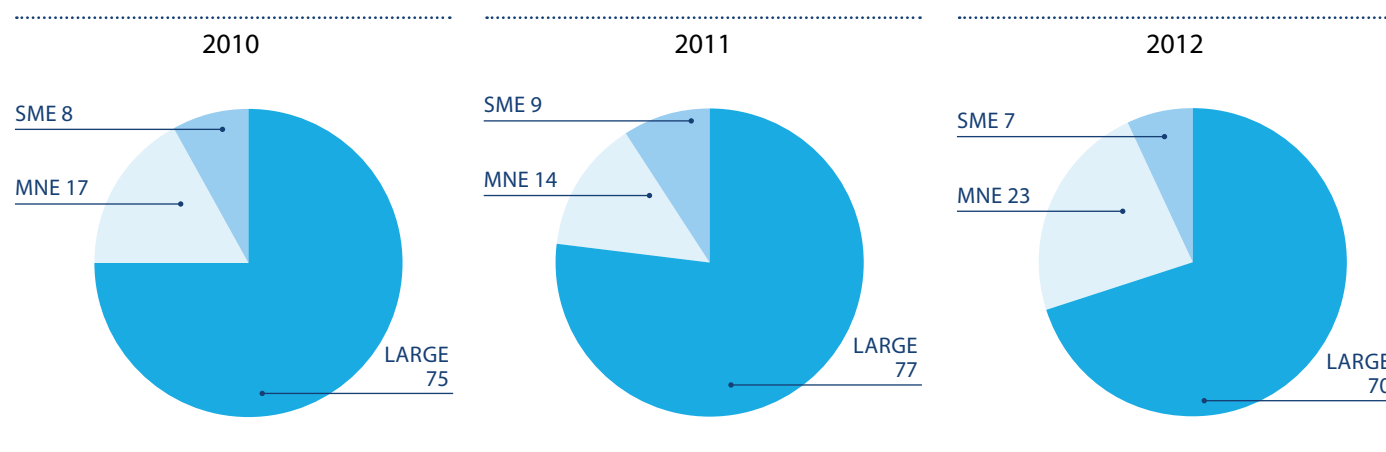
As presented in Figure 1, the research found that private companies currently comprise the largest source (73-77%) of self-declared integrated reports, followed by state-owned companies at 11-16% (see also box 1).

BOX 1: ORGANIZATION TYPES USED IN THE GRI DATABASE

- *Private company*: a business organization owned either by a small number of stakeholders, shareholders, or by a non-governmental organization
- *State-owned company*: a legal entity created by a government in order to undertake commercial activities on behalf of the owner government (e.g. state railways, post)
- *Cooperative*: an organization jointly owned and democratically controlled by the employees and/or end-users of the goods/services produced to meet their common needs
- *Subsidiary*: a company controlled by another company through the ownership of 50% or more of the voting stock
- *Public institution*: an administrative unit of government, including the municipal authority of a city (e.g. City of Amsterdam, local water utilities)
- *Non-profit organization*: an organization ran to further an ideal or goal, rather than in the interests of profit (e.g. NPO, foundations, NGO)
- *Partnership*: a formation of businesses and or individuals to advance their business interests (e.g. law firm, consortiums).

As presented in the Figure 2, most of those involved tend to be large and multinational enterprises (MNE), although small and medium-sized enterprises (SME) also contribute some 7-9% of self-declared integrated reports each year¹².

Figure 2: Size of organizations publishing self-declared integrated reports (%)

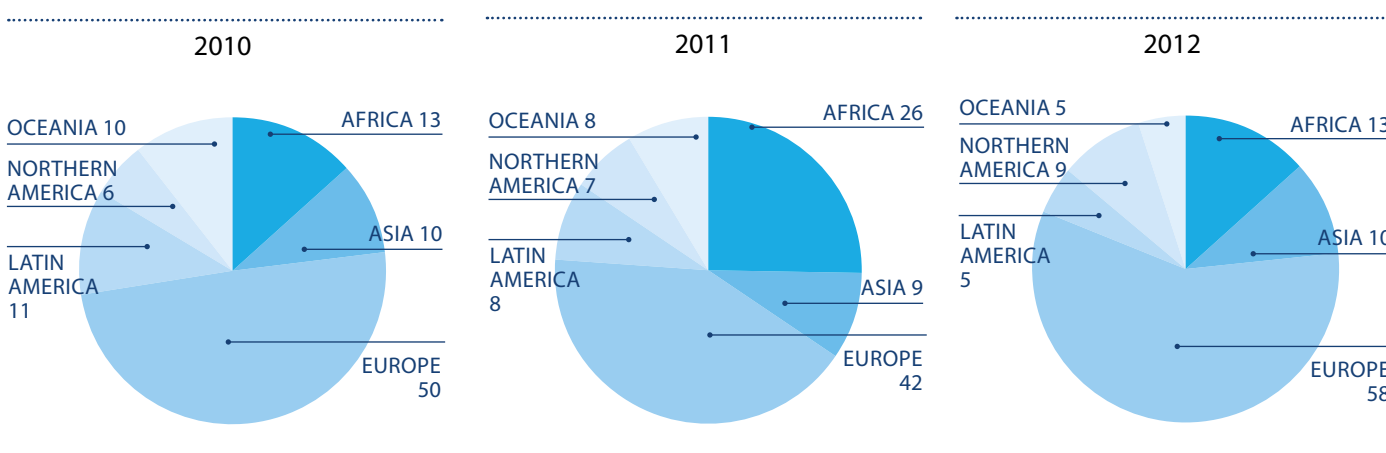


Leading countries

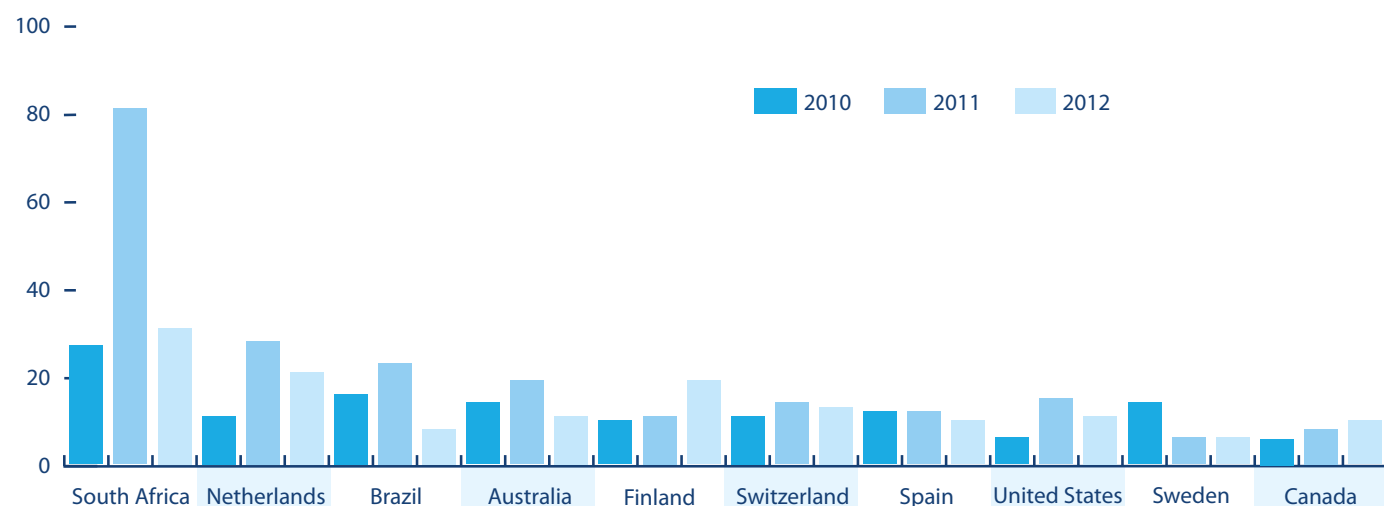
Looking at the regional division of the self-declared integrated reports included in the sample, the majority (42-58%) are published by European organizations. The African reports are almost without exception published by South African organizations.

For the last three years, South Africa has led the field in the total number of integrated reports being registered in the GRI database. This can probably be attributed to the mandating of King III and its requirement that all South African companies listed on the country's stock exchange publish an integrated report, effective since 2010 (see page 19). As a result, in 2011, South Africa published 81 integrated reports, almost triple the volume it published in 2010 and easily outstripping other countries.

Figure 3: Regions publishing self-declared integrated reports (%)



¹² GRI classifies a large organization as an organization with headcount of over 250 and a turnover of over €50m or a balance sheet total of over €43m, a multinational enterprise (MNE) as an organization with headcount of over 250 and multinational and a turnover of over €50m or a balance sheet total of over €43m, and an SME as an organization with a headcount of less than 250 and a turnover of €50m or balance sheet total of €43m.

Figure 4: Top 10 countries publishing self-declared integrated reports (# of reports)

The Netherlands, Brazil and Australia have been close runners behind South Africa in recent years, with the Netherlands securing second position in 2011 and maintaining that place in the 2012 results to date.

It is difficult to find a single reason that has put these countries ahead, but in most cases, there is evidence of some sort of government or stock exchange initiative encouraging disclosure. For instance, the Brazilian stock exchange, BM&FBOVESPA, has launched a range of initiatives over the last decade to encourage enhanced corporate disclosure on sustainability and also to rank stocks in terms of sustainability and social responsibility¹³. This could have mainly promoted an increase in the number of regular sustainability reports published, but it seems that it has also promoted 'integrated' reporting. The Australian Stock Exchange has similarly made non-mandatory requirements of listed companies (see section 1 on page 6) and, since 2010, the Dutch government has stated an intention to have 100% sustainable procurement, with tenderers needing to provide proof that they comply with required criteria¹⁴.

Figure 5 shows the cumulative numbers of embedded reports produced by leading countries over the last three years.

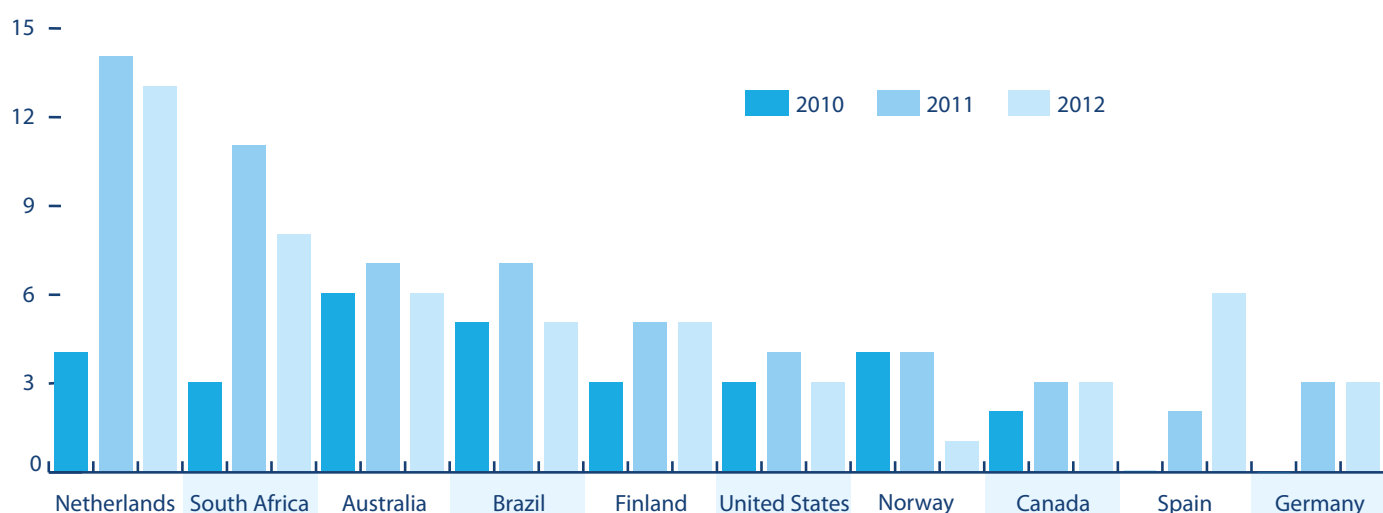
Looking at the emerging 2012 results, Finland (currently in 5th place) has increased the uptake in the last two years. A driver for this uplift is likely to be the Finnish government's adoption, in 2011, of a resolution requiring non-listed state-owned companies and state majority-owned companies to report on their sustainability performance¹⁵.

Both Finland and Australia have a far higher number of state-owned companies experimenting with integrated reporting (20% and 30% respectively) when looking at total number of reports 2010-12, than other leaders, such as Brazil (11%), the Netherlands (3%) and South Africa (2%) during the same period.

¹³ BM&FBOVESPA, [Corporate Sustainability Index - ISE, 2013](#).

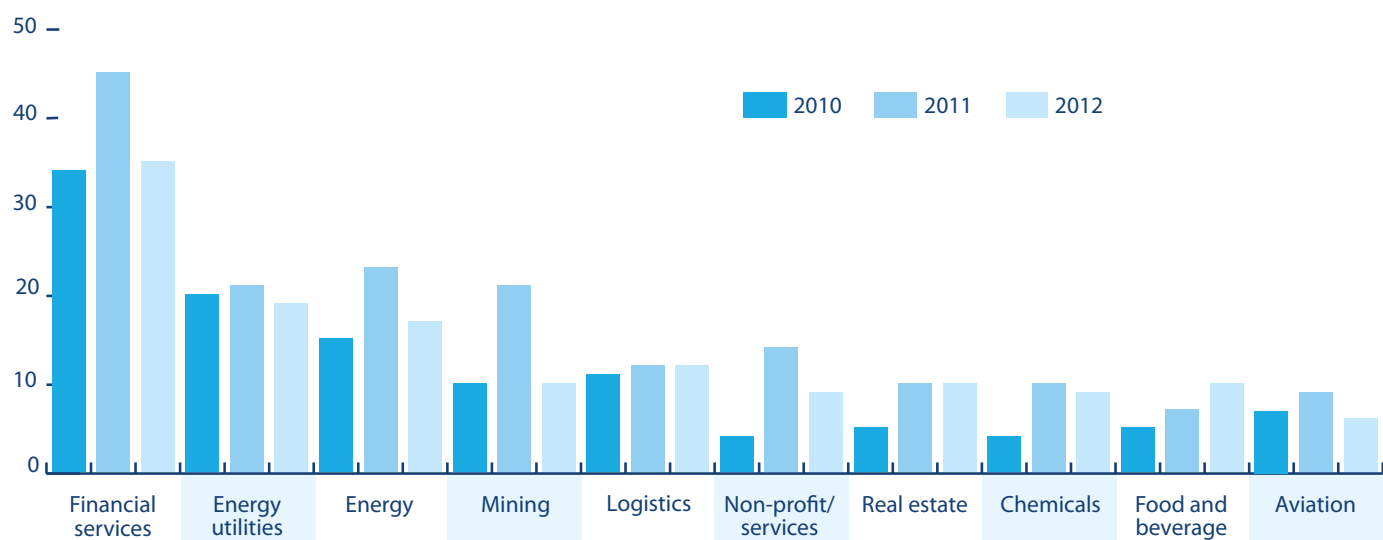
¹⁴ Ministry of Housing, Spatial Planning and the environment, [Sustainable Public Procurement Manual for Government Procurement Officers, 2010](#).

¹⁵ Finnish Government, [Ownership policy to be based on openness, long-term goal setting and responsibility](#), press release 4 November 2011.

Figure 5: Top 10 countries publishing embedded self-declared integrated reports (# of reports)

Leading sectors

Based on the information in the GRI database, the sectors leading in experimenting with integrated reporting are financial services, energy utilities, energy and mining. Indeed, the volume of financial services' self-declared integrated reports (35 in 2012) tends to be almost double the numbers being published by other sectors for each year of the research study. See Figure 6.

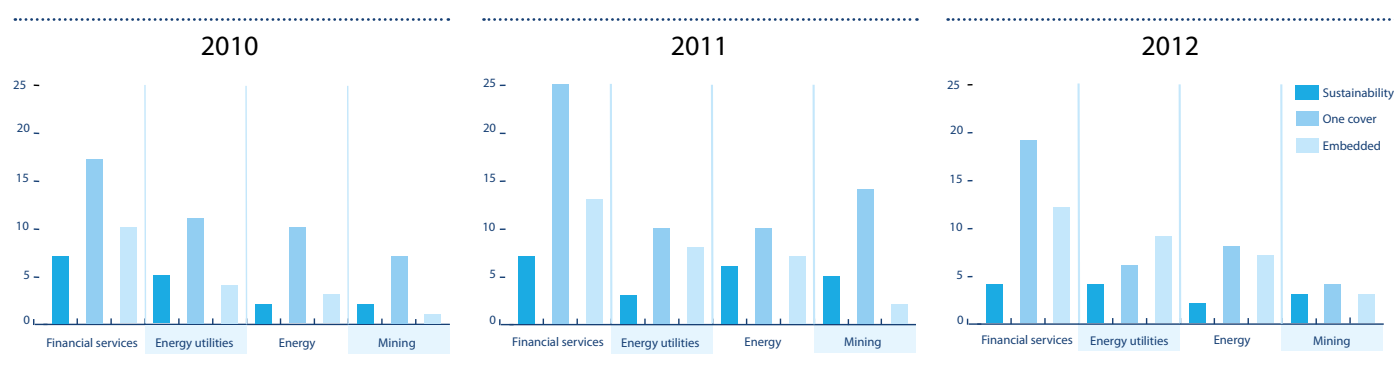
Figure 6: Top 10 sectors publishing self-declared integrated reports (# of reports)

With regards to the different countries that are home to these key sectors, it is interesting to note that the volume of financial services institutions publishing self-declared integrated reports are largely based in South Africa, Australia, Brazil and the Netherlands – with very low numbers of such institutions experimenting with integrated reporting in other financial centers such as the UK and the USA.

With energy utilities, the results are more distributed, but Brazil, Australia, Canada, the Netherlands and New Zealand seem to be edging ahead of others. The results change with scrutiny of the energy sector, where the Russian Federation and Brazil currently outstrip the competition, although the numbers of reports involved are small. With the mining sector the vast majority of experimentation is currently taking place in South Africa.

When attention is given to the different structures of integrated report – sustainability, one cover or embedded – being published by these key sectors, subtle shifts are discernible (see figure 7). Over the last three years, the figures to date show a rise in the number of embedded reports being published across all sectors, as sustainability reports remain broadly constant.

Figure 7: Structure of self-declared integrated reports in the (i) financial services, (ii) energy utilities, (iii) energy, and (iv) mining sectors (# of reports)



3.2 Nuts & bolts – report titles, intentions, structures & length

Report titles

When it comes to the nuts and bolts of integrated reporting, the research shows that the number of self-declared integrated reports in the GRI database that are explicitly titled 'Integrated report' has grown in recent years, from a tiny proportion (3%) in 2010 to 16% in 2012. But the majority – from 50-60% – is called 'Annual report', followed by 'Sustainability report' or 'Sustainable development report'. See Figure 8.

Figure 8: Trends in titles given to self-declared integrated reports (%)

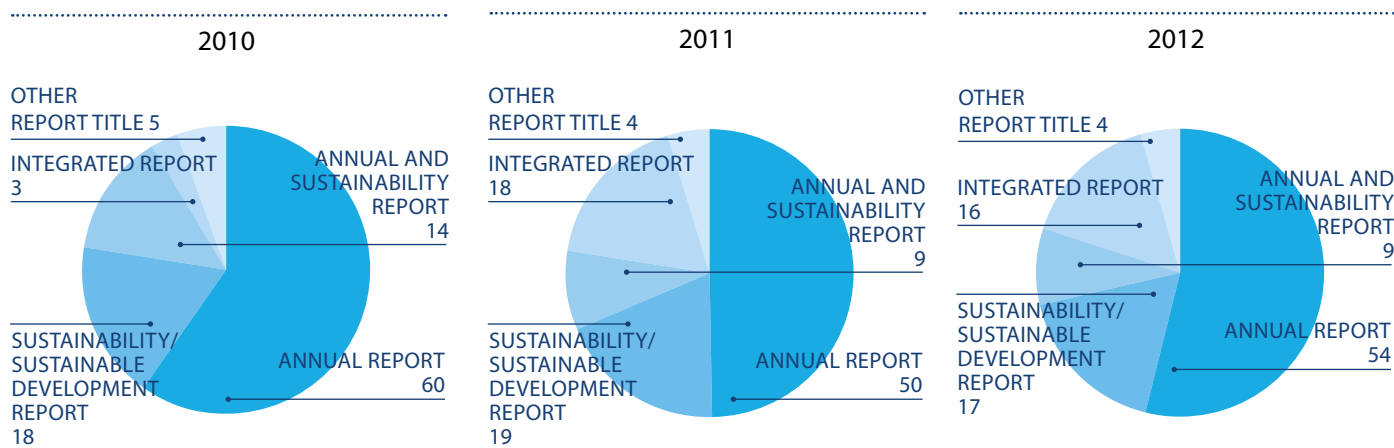
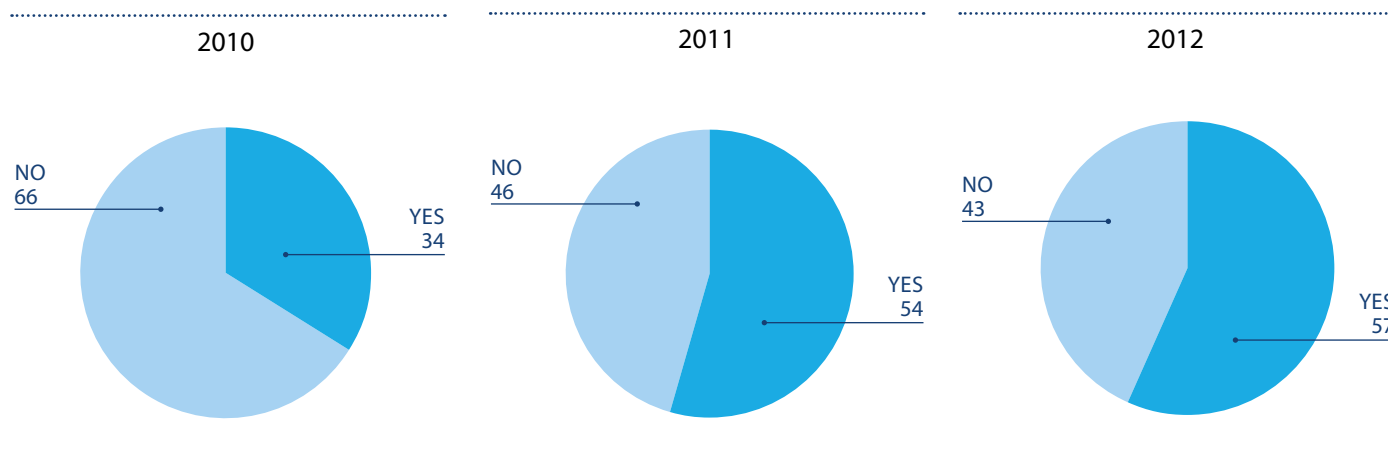


Figure 9: Trends in stated intention to publish an integrated report (%)

Expressed intentions

This rise in the number of reports entitled 'Integrated' corresponds with a rise within such reports of an explicit discussion and expressed intention to produce information that integrates financial and sustainability performance, or words to that effect).

While only a third of all self-declared integrated reports actually discussed their intention to integrate in 2010, over half of such reports clearly addressed that intention in 2011 and 2012. See Figure 9.

In the statements regarding integrated reporting the organizations most often used the word 'integrated' to describe the report but also words such as 'combined' and 'merged' were used, although clearly less frequently (see box 2).

BOX 2: INTENTIONS BEHIND INTEGRATED REPORTING

These statements were collected from the reports analyzed. They show how the companies have expressed the intention of 'integration'.

- 'The Corporate Social Responsibility and financial report have been integrated into a single document. In this way, we can show the cohesion between our operational, financial and social actions.' Alliander, the Netherlands¹⁶
- 'This is our first integrated report, combining information about our financial performance with data on our environmental, social and governance performance.' American Electric Power, USA¹⁷
- 'The annual report for the year end is an integrated report, presenting not only the financial, but also the economic, environmental, social, sustainability and technical aspects of Eskom's business and performance.' Eskom, South Africa¹⁸
- '2010 is the second year in which DONG Energy has integrated non-financial key performance indicators in its annual report.' DONG Energy, Denmark¹⁹
- 'The present publication is the first integrated report released by GAZ-SYSTEM S.A., which, at the same time, describes the sustainability measures undertaken by the company and presents the financial and non-financial performance results for the year 2011.' Gaz-System S.A., Poland²⁰

¹⁶ Alliander Annual Report 2010, p. 3.

¹⁷ American Electric Power 2010 Corporate Accountability Report, p. 7.

¹⁸ Eskom Integrated Report 2011, p. 3.

¹⁹ DONG Energy Annual Report 2010, p. 8.

²⁰ Gaz System S.A. Annual Report 2011, p.2

Report structures

The structure of the reports was evaluated on the basis of its contents list and layout. This led to each self-declared integrated report being categorized as having one of three structures:

- a sustainability report that meets GRI sustainability criteria and has been self-declared as integrated, but makes no clear links from sustainability to financial performance – called a *sustainability* structure
- a sustainability report that has been published alongside a separate financial report, but as a single publication under one cover – called a *one cover* structure; and
- a report that has an embedded structure, with clear evidence of inter-linkage between reporting on financial and sustainability performance – called an *embedded* structure

Of all self-declared integrated reports - including those explicitly titled 'Integrated report' and those with an overt expressed intention to be integrated - most remain of the one cover structure in the three years covered by the study. Embedded structure was the second preferred structure and raised from 19% in 2010 to 31% in 2012, showing a possible trend.

Figure 10: Structure of self-declared integrated reports (%)

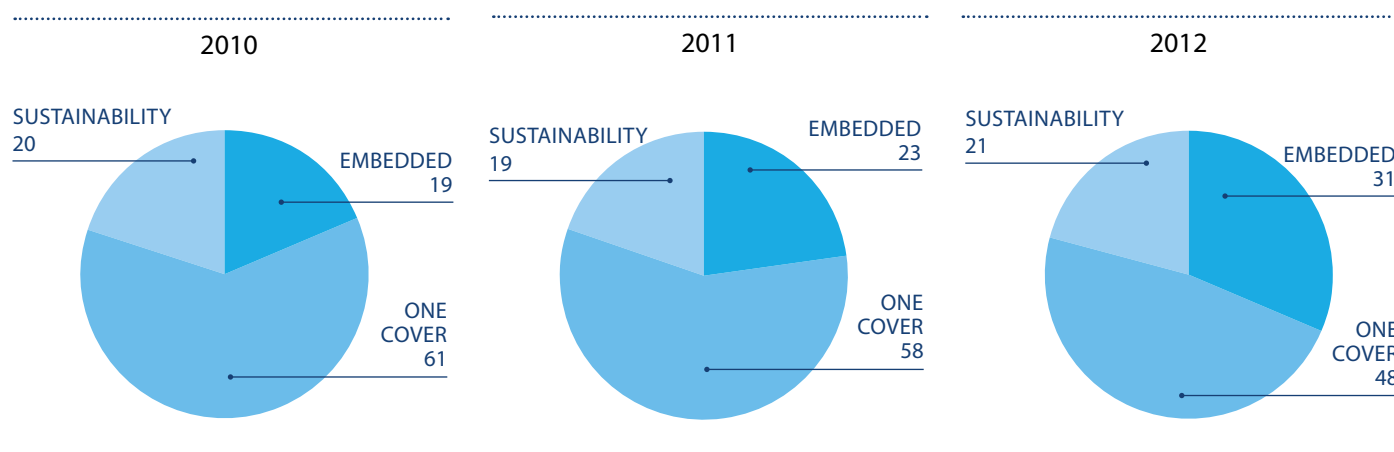


Figure 11: Structures of self-declared integrated reports according to report title (# of reports)

Figure 11 presents the relation between title and content structure of the reports by year. The majority of the reports called 'Annual report' or 'Integrated report' presented the one cover structure, which means that the information from both reports were not very integrated.

Report length

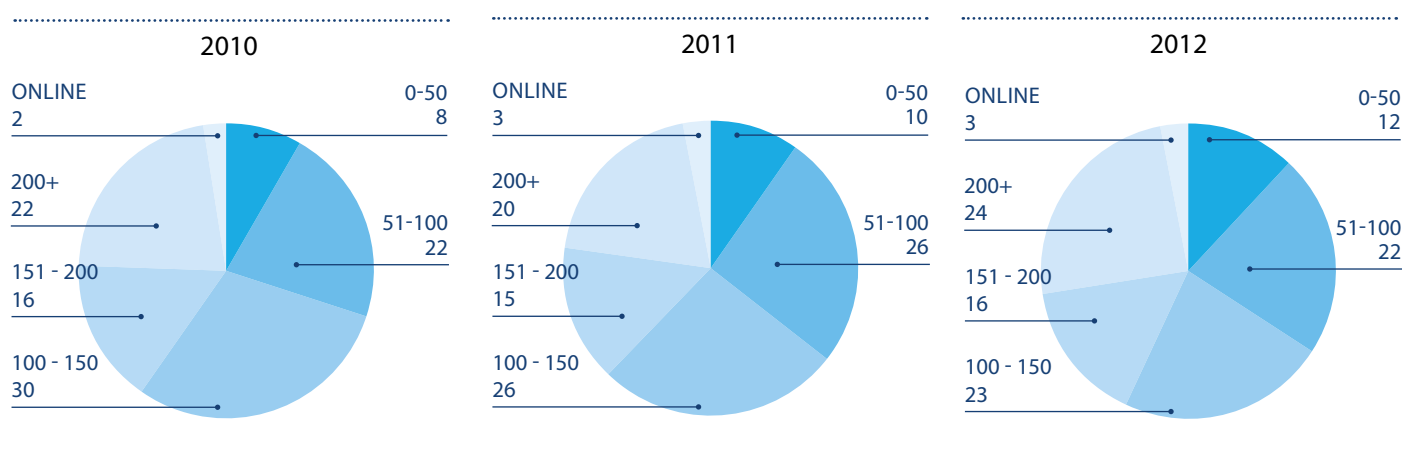
Report length was captured against five categories: 1-50 pages; 51-100 pages; 101-150 pages; 151-200 pages; 200+ pages. In addition, a category for “online-only” reports was included. The report length analysis aimed to see if integrated reporting is impacting publication length, as there is an expectation that integrated reports are strategic summaries, supported by reports elaborated by more detailed, and based on, existing standards.

The GRI analysis found a small rise in shorter reports of 50 pages or less amongst traditional sustainability structure reports that are self-declared as integrated.

A significant proportion of the analyzed reports remain lengthy at over 100 pages or more, and these longer publications tend to have the one cover or embedded structure of integrated report.

Figure 12 shows that the length of the reports was quite stable through the years, what may lead to the conclusion that although titles and other features have changed, the content has not.

Figure 12: Length of self-declared integrated reports (%)



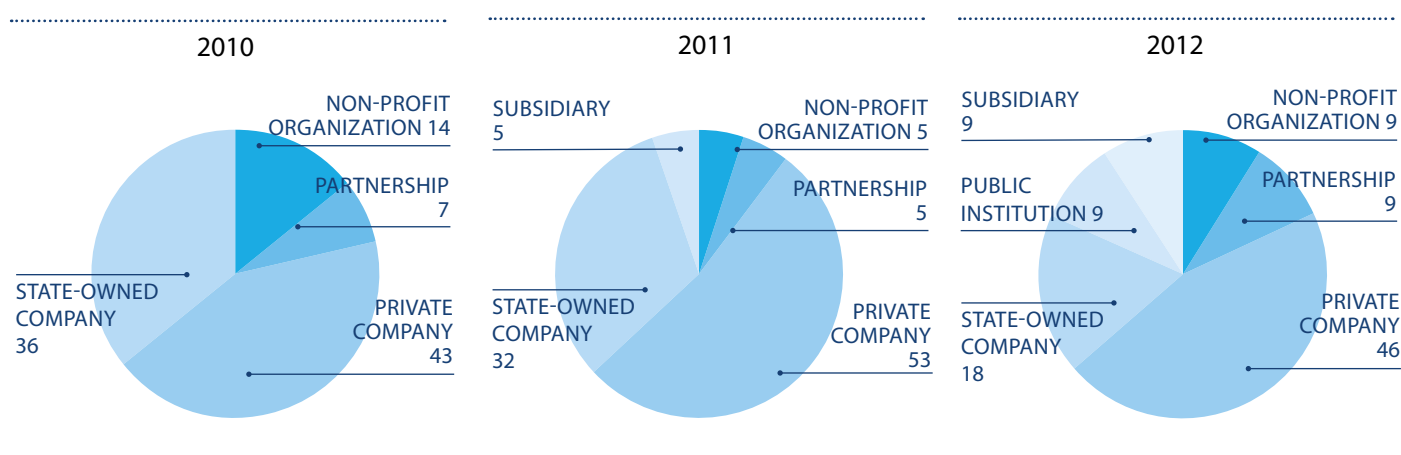
3.3 Australia in focus

Australian organizations published 44 self-declared integrated reports over the three years that were the subject of the GRI analysis, comprising nearly 6% of the total 756 reports included in the full sample.

Organizations

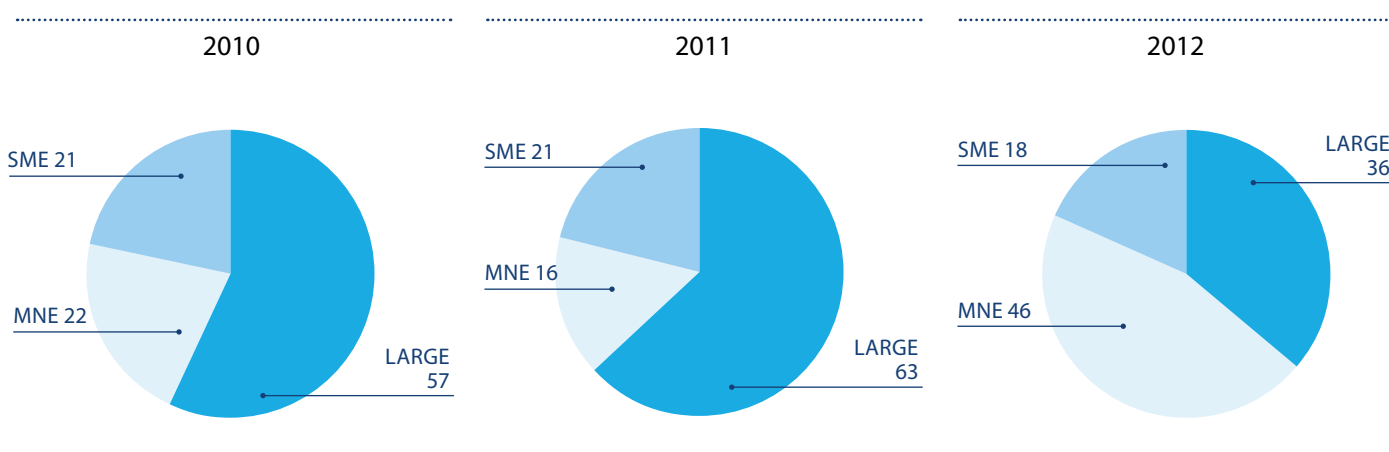
As presented in Figure 13, most of the self-declared reporters were from the private companies (43-53%) or state-owned companies (18- 36%).

Figure 13: Type of organizations publishing self-declared integrated reports in Australia (%)



In Figure 14 one can see a remarkable representation of small companies in the sample. This number is much higher than the global analysis where SMEs represented 7-9% of the total organizations.

Figure 14: Size of organizations publishing self-declared integrated reports in Australia (%)



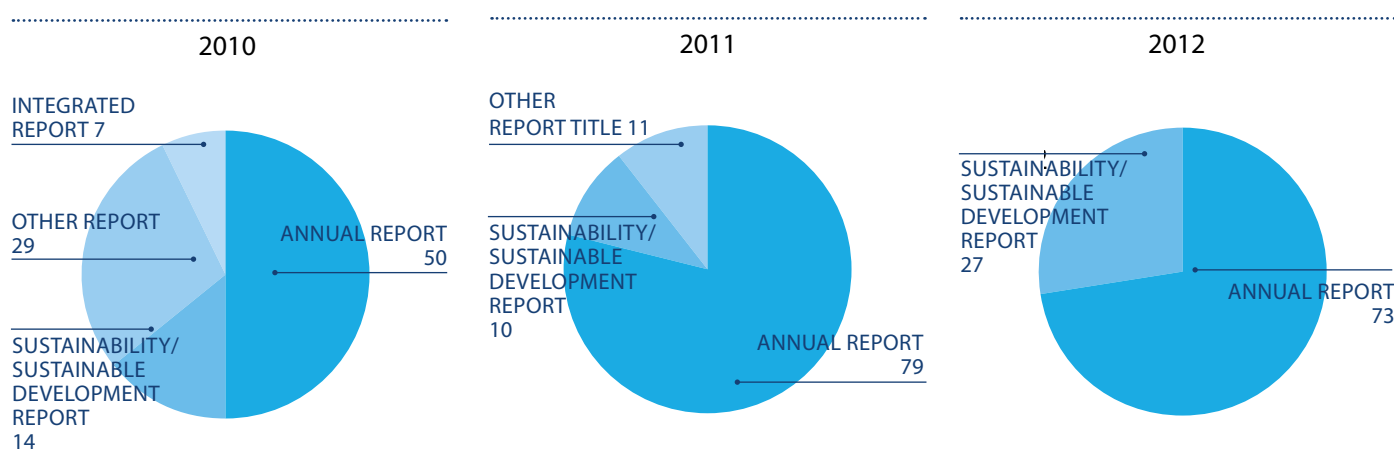
Sectors

Commensurate with global trends, the financial services sector in Australia publishes by far the largest volume (9-11%) of self-declared integrated reports, followed by energy utilities (5%). The non-profit/ services sector is the third highest reporting sector in Australia, while globally it holds 6th place.

Report titles

Over the last three years, unusually, no Australian reports were titled 'Integrated report' although integration was clearly taking place. A growing number of self-declared integrated reports were titled 'Annual reports' – rising from 50% in 2010 to over 73% in 2012 so far. Over the same period, the number of 'Sustainability' titled reports fell, from 14% in 2010, to disappear by 2012.

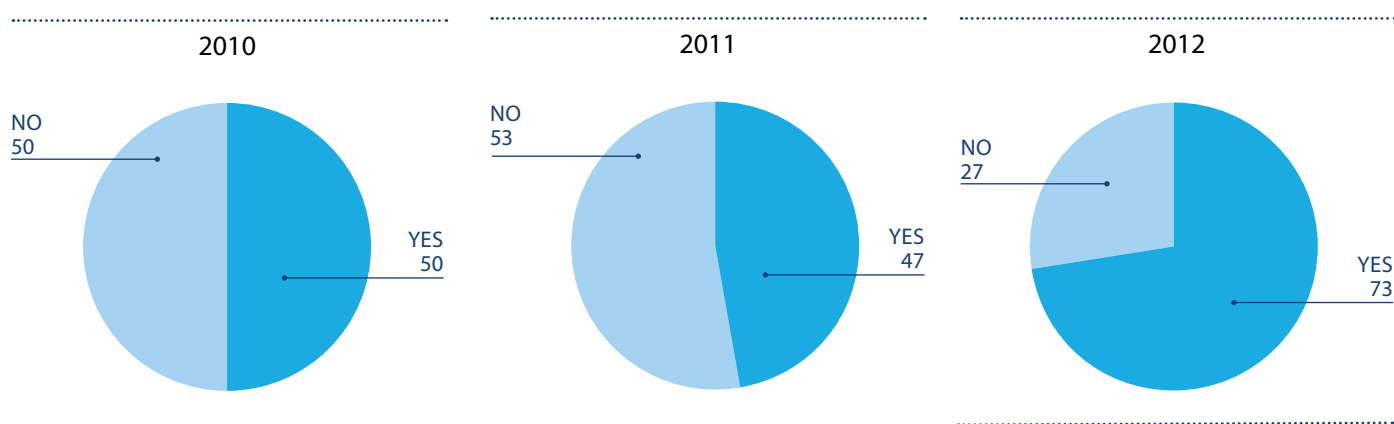
Figure 15: Trends in titles given to self-declared integrated reports in Australia (%)



Expressed intentions

Each of the three years saw a rise in the expressed intention by Australian reporters to publish an integrated report - from 50% in 2010 to 73% in 2012 (see box 3). This might partly be due to a range of non-mandatory recommendations made by the Australian Stock Exchange over the last decade. These require companies to disclose in the corporate governance statement of their annual reports the extent to which they have met a series of recommendations made by the ASX Corporate Governance Council to do with sustainability and stakeholder engagement²¹.

Figure 16: Trends in stated intention to publish an integrated report in Australia (%)



²¹ ASX Group, [ASX Listing Rules, Guidance Notes and Waivers](#), 2013.

BOX 3: EXAMPLES OF AUSTRALIAN CORPORATE REPORTERS' COMMITMENT TO INTEGRATED REPORTING

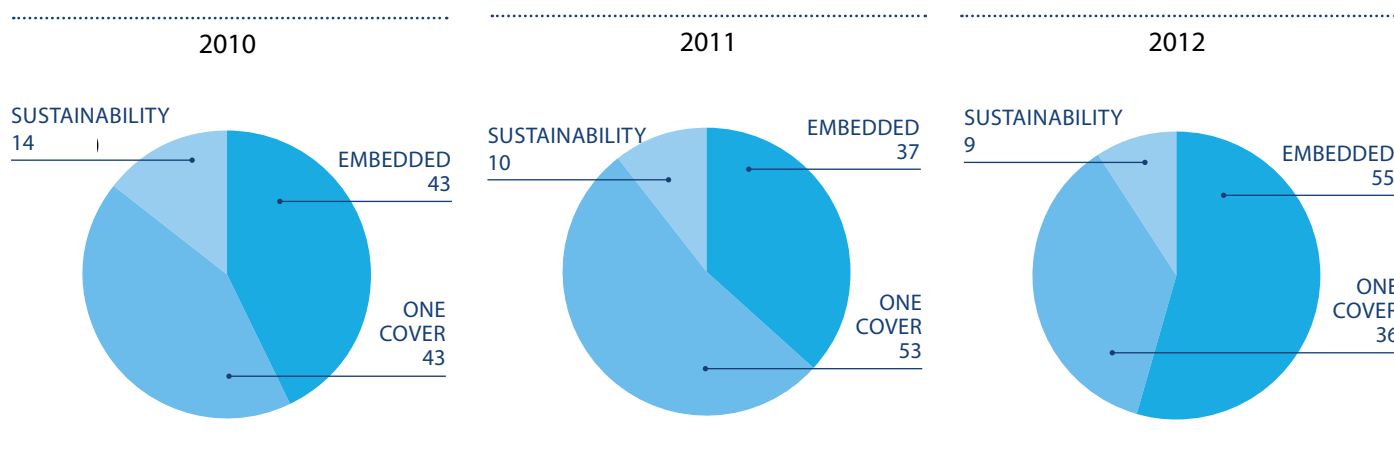
These statements were collected from Australian reports in the sample.

- 'For the first time, our 2010 Annual Review integrates financial results and corporate responsibility outcomes, reflecting our belief that reputation and performance ultimately go hand in hand.' National Australia Bank, Australia²²
- 'Our combined Annual Shareholder and Corporate Responsibility Review provides an integrated view of how ANZ is managing financial and non-financial issues and is designed to represent ANZ's performance across all aspects of our business.' Australia and New Zealand Banking Group (ANZ), Australia²³

Report structures

Most of the 44 self-declared integrated reports in Australia are embedded in structure – up from 43% in 2010 to 55% or more in 2012. See Figure 17.

Figure 17: Structure of self-declared integrated reports in Australia (%)



The financial services sector is currently the only sector in Australia that appears to be experimenting with all the different structures of integrated reporting, while the majority of other sectors are producing reports of the one cover structure.

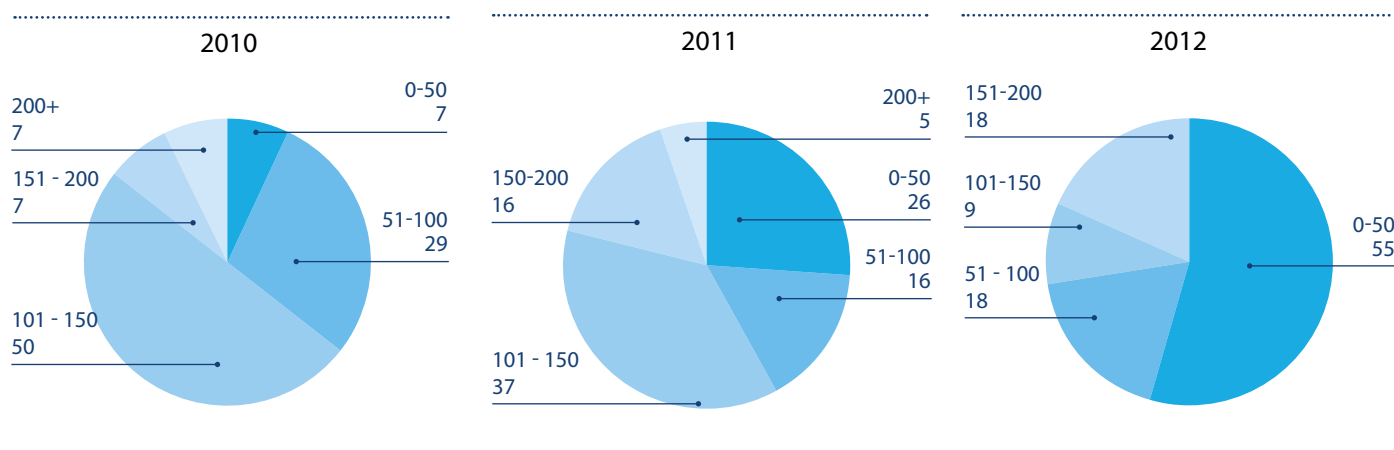
²² National Australia Bank (NAB) Annual Review 2010, p. 3.

²³ Australia and New Zealand Banking Group (ANZ), 2011 Shareholder & Corporate Responsibility Review, p. 7.

Report length

The most important information on the length of the reports self-declared 'integrated' in Australia is the clear reduction of number of pages: 7% have with less than 50 pages in 2010 and 55% in 2012.

Figure 18: Length of self-declared integrated reports in Australia (%)



3.4 South Africa in focus

South African organizations self-declared 139 'integrated reports' over the three years, nearly a fifth (18%) of the total 756 reports covered in the full analysis. The prominence of integrated reporting in South Africa is typically attributed to the mandating of King III (see box 4).

BOX 4: THE KING REPORT

The King Report is a code of corporate governance in South Africa and compliance is required of all companies listed on the Johannesburg Stock Exchange. Reports were issued in 1994 (King I), 2002 (King II²⁴), and 2009 (King III²⁵). In King III, governance, strategy and sustainability were integrated, and the report explicitly recommends that organizations produce an integrated report in place of an annual financial report and a separate sustainability report. King III has applied to all entities, public, private and non-profit since March 2010. Many of the principles put forward in King II were embodied as law in the 2008 Companies Act of South Africa²⁶. Additional statutes now also encapsulate certain principles of King III, such as the Public Finance Management Act²⁷ and the Promotion of Access to Information Act²⁸.

Organizations

In South Africa, around 90% of all self-declared integrated reporters every year were large multinationals from the private sector, with state-owned companies, non-profits and public institutions each comprising only a small percentage (2%) of the total. This is a very strong trend showing from the private sector when compared to the global average of around 74% of private companies currently contributing to integrated reporting, and around 12% of state-owned companies.

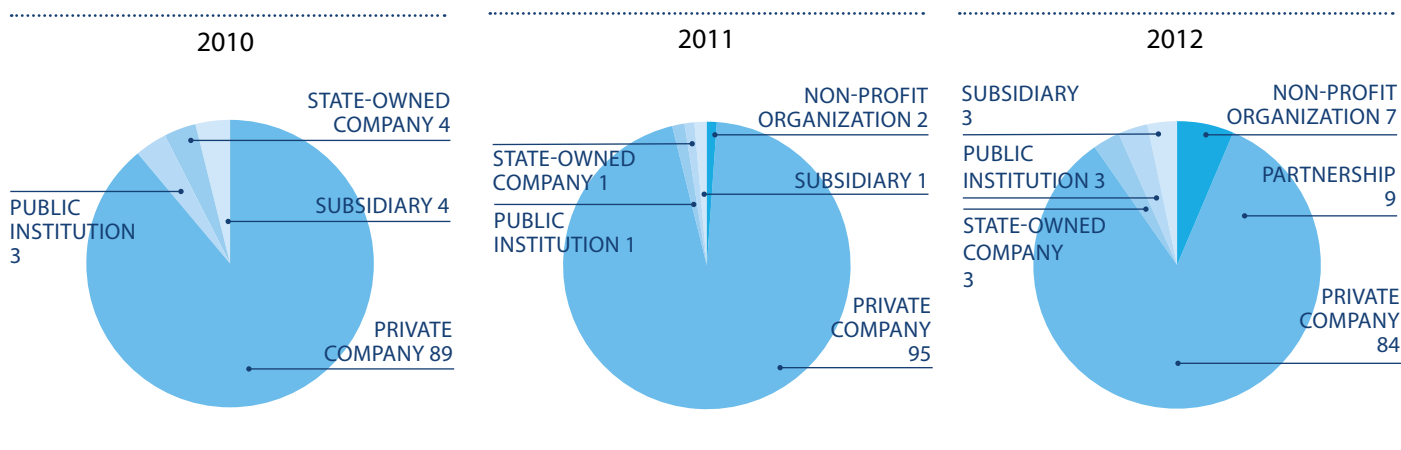
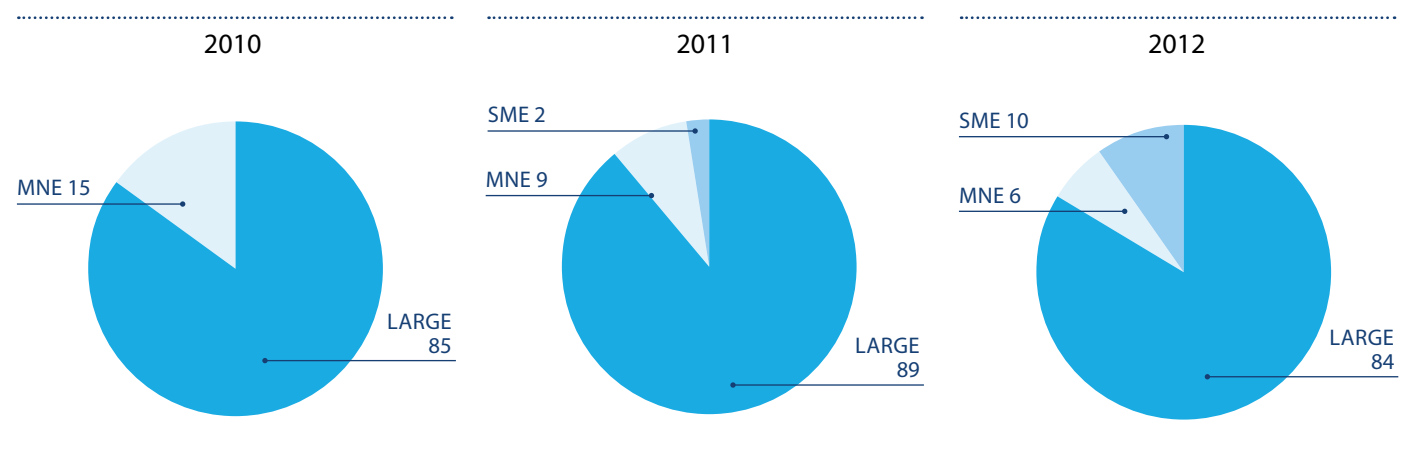
²⁴ The Institute of Directors in Southern Africa, *Executive Summary of the King Report 2002*, 2002.

²⁵ The Institute of Directors in Southern Africa, *King Code of Governance Principles*, 2009.

²⁶ South African Government, *Companies Act 2008*, No. 71 of 2008, 2009.

²⁷ South African Government, *Public Finance Management Act*, No. 1 of 1999, 1999.

²⁸ South African Government, *Promotion of Access to Information Act*, 2000.

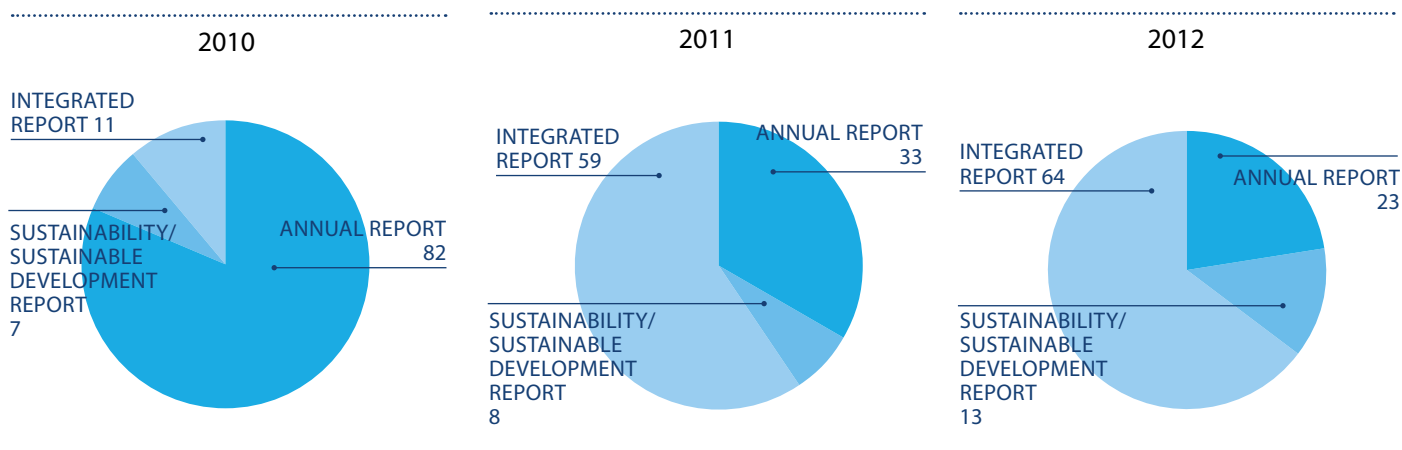
Figure 19: Types of organization publishing self-declared integrated reports in South Africa (%)**Figure 20: Size of organizations publishing self-declared integrated reports in South Africa (%)**

Sectors

The mining and financial services sectors publish the largest volume of self-declared integrated reports in South Africa (19% and 18% respectively), followed by retail, construction and telecommunications (each around 10%).

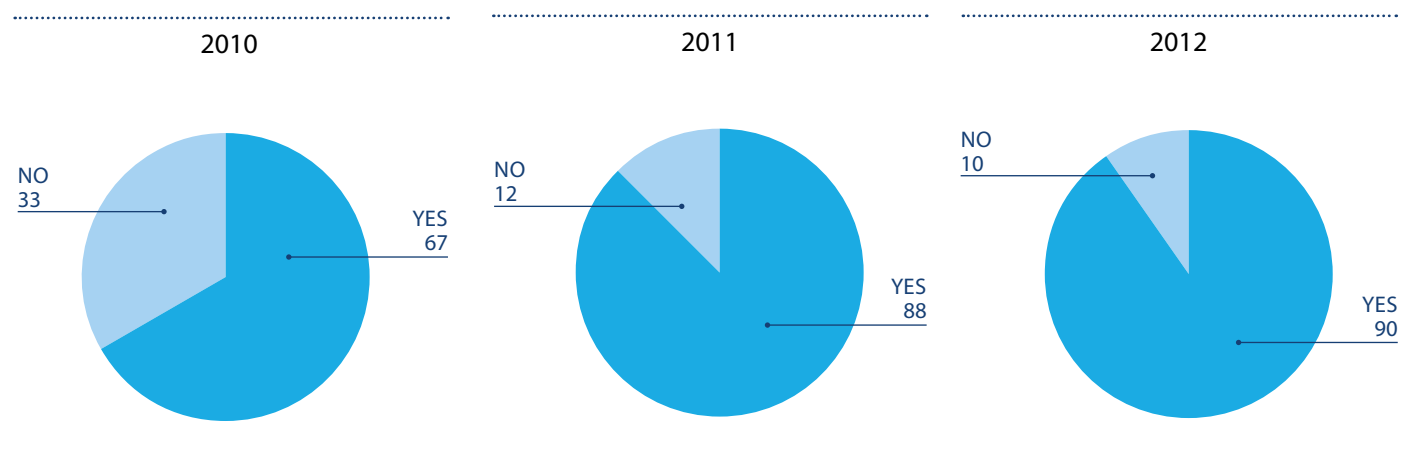
Report titles

Although most South African self-declared integrated reports were entitled 'Annual reports' (82%) in 2010, the use of that title has rapidly fallen to 33% in 2011 and only 23% in 2012, as reports entitled 'Integrated report' have taken hold – from just 11% in 2010, to 59% in 2011 and 64% in 2012 to date. Titles 'Sustainability report' or 'Sustainable development report' have also risen slightly year-on-year, from 7% in 2010 to 13% in 2012.

Figure 21: Trends in titles given to self-declared integrated reports in South Africa (%)

Expressed intentions

In 2010 South Africa already had a large proportion of organizations (67%) that were voicing an explicit intention to publish an integrated report, which has since risen to 90% within the 2012 sample to date (see Box 5). This significantly outstrips global trends, where in 2012 some 57% of organizations that have self-declared the report as 'integrated' had also published an expressed intention to produce an integrated report.

Figure 22: Trends in stated intention to publish an integrated report in South Africa (%)

BOX 5: EXAMPLES OF SOUTH AFRICAN CORPORATE REPORTERS' COMMITMENT TO INTEGRATED REPORTING

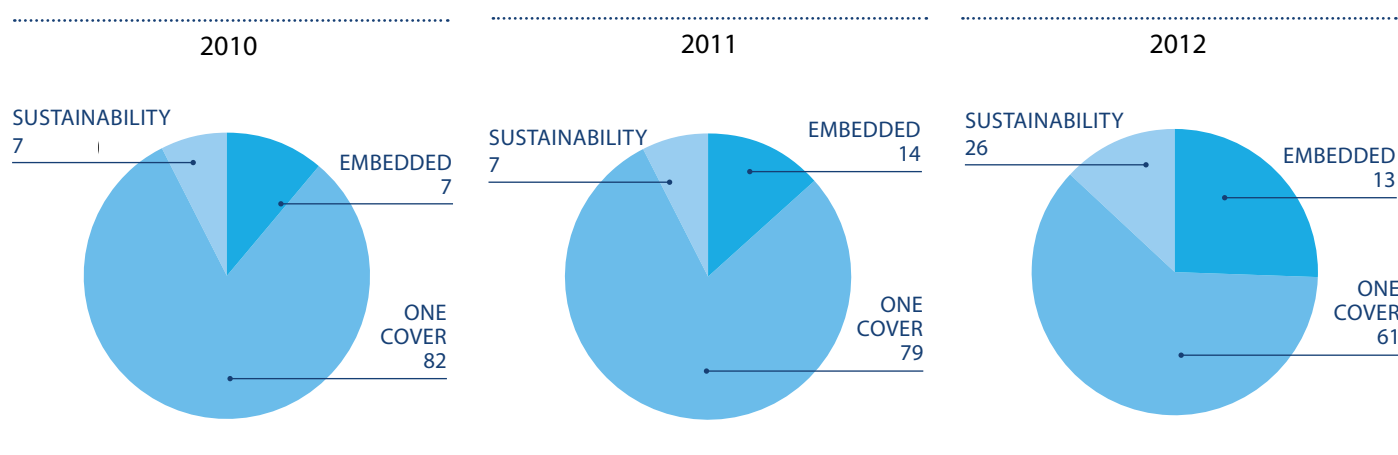
These statements were collected from South African reports in the sample.

- 'The following report is Buildmax Limited's first annual integrated report, which aims to present to stakeholders comprehensive, balanced and understandable information, allowing them to make a reasoned and educated assessment of the company's economic, social and environmental performance.' Buildmax Ltd, South Africa²⁹
- 'AVI's annual report covers the economic, environmental and social activities of the Group for the period 1 July 2010 to 30 June 2011 and aims to provide AVI's stakeholders with a transparent, balanced and holistic view of the Group's performance.' AVI Limited, South Africa³⁰

Report structures

The majority of self-declared integrated reports in South Africa are published with the one cover structure, although – in line with global trends – this has fallen gradually from 82% in 2010 to 61% in 2012 so far. At the same time, there has been a rise in the proportion of reports with an embedded structure, up from 11% in 2010 to 26% in 2012 to date. There has also been a near doubling in sustainability structure reports, up from 7% in 2010 to 13% in 2012 to date.

Figure 23: Structure of self-declared integrated reports in South Africa (%)



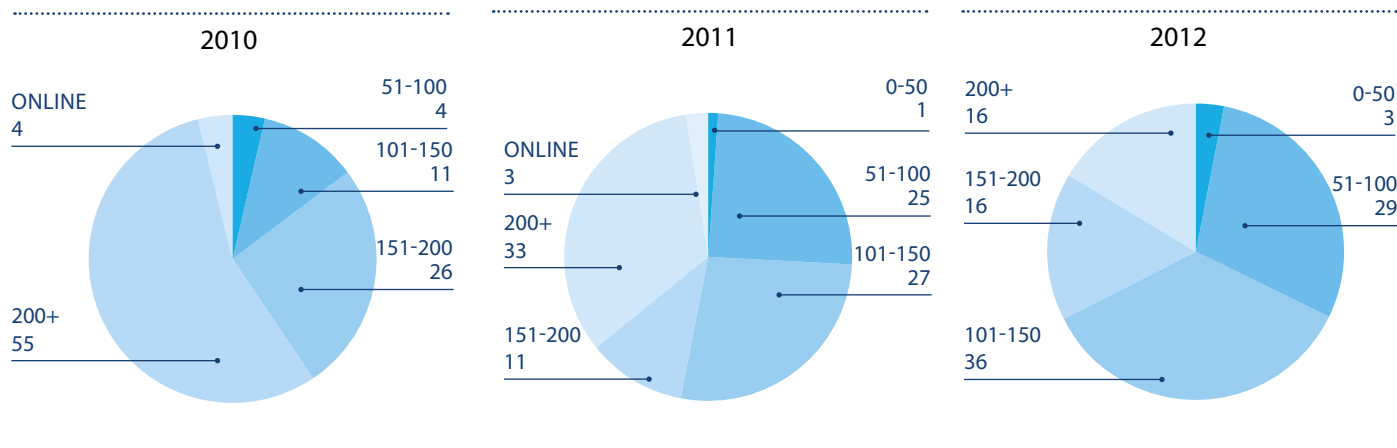
As in Australia, currently only the financial sector is experimenting with all the different structures of integrated reporting. However – in line with global trends – the one cover structure remains by far the most popular form of integrated report across the country's top five sectors, far exceeding the use of embedded or sustainability structures of integrated report.

Report length

The number of reports with 200+ pages has decreased over the three years, from 55% in 2010 to just 16% in 2012. At the same time the number of reports with 51-100 and 101-150 pages has increased significantly indicating a potential trend of more concise reports as report structures become more embedded.

²⁹ Buildmax Integrated Report, 2011, p. 4.

³⁰ AVI Limited 2011 Annual Report, p. 1.

Figure 24: Length of self-declared integrated reports in South Africa (%)

4 Reporters' Perspectives

GRI invited representatives from a selection of 52 companies that had published an integrated report in all years (2010-12) to provide comments about their company's motivation and experience. The written answers that were received from 18 of those companies were in response to set of questions posed by GRI. The companies that responded are from a variety of sectors: financial, pharmaceutical, crop science, consumer brands, energy, construction and engineering, and aero transport. The respondent companies came from different parts of the world, including: Australia, Brazil, Denmark, Finland, Germany, Hong Kong, Netherlands, Norway, Philippines, Spain, South Africa, Switzerland and the USA. A summary of their responses is captured below. See Annex for the list of companies and their complete answers.

Why did your organization start to combine financial and non-financial reporting? Who made the decision?

There seem to be several reasons why companies embark on integrated reporting: (i) to avoid or break down internal silos; (ii) to meet stakeholder expectations and (iii) overwhelmingly, because integrated reporting is regarded as the natural, logical expression of their intrinsic business model.

i. Silo-busting

For some companies, there is concern that the development of separate annual and sustainability reports will lead to corporate silos and inefficiencies. Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines in the USA, describes integrated reporting as the corporate response to a challenge issued by the company's CEO regarding the inefficiency of separate sustainability and annual reporting processes. Similarly, at Ballast Nedam of the Netherlands, Susanne IJsenbrandt, Senior Advisor in Sustainability Services, describes how the CEO steered the company away from the development of a separate sustainability report which could silo the topic, and instead drove towards an integrated report with a vision of sustainability and CSR being sustainability embedded in the core 'genes' of the business.

ii. Giving stakeholders the full story

For other companies, external stakeholders are an important driver of the need to provide an integrated narrative about their business operations. Javier Perera de Gregorio, the Organization and CSR Director for Enagás of Spain, describes integrated reporting as: 'an exercise in transparency demanded by all stakeholders, especially by the increasing number of investors that include financial and non-financial criteria in their investing decisions.' Similarly, the CSR Department of Inditex in Spain

describes various motives for integrated reporting, including 'seeking to provide a clear image of how the company creates value' for its stakeholders.

iii. A natural, strategic fit

However, common to all companies which participated in this survey, seems to be a sense that integrated reporting is the natural expression of a corporate strategy that has sustainability at its core. Bjørn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department in Denmark, describes the company's move to integrated reporting as 'a natural step', growing out of the company's commitment to the triple bottom line. Similarly, Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport in Germany, states: 'since we have the issues of sustainability fully integrated into our strategy, it was just a logical consequence to describe our business in a holistic way, using just one reporting instrument.' And again, Marina Prada, Senior Corporate Responsibility Manager for Syngenta in Switzerland, describes integrated reporting as 'a natural evolution which resulted from the company's strategy.'

Nearly all the corporate respondents use language which describes sustainability as intrinsic to their business model, to the extent that having two separate report would in fact be counter-intuitive. Jowita Twardowska, CSR and Communication Director at Grupa LOTOS of Poland, states: 'the application of two separate financial and non-financial reporting systems would be in conflict with the uniform and coherent vision of our business. It would make it difficult for stakeholders to assess the company's plans and accomplishments in a complete manner.' Similarly, Hilde Røed, Statoil's Principal Consultant for Corporate Sustainability in Norway, states in her response to this question regarding the corporate motivation for integrated reporting that: 'sustainability is an integrated part of our business, not a stand-alone endeavor.'

In all instances, the decision to support and pursue integrated reporting was made by the top management of the company.

What are the main challenges when preparing an integrated report?

The corporate respondents tended to identify three sets of challenges when it comes to the preparation of an integrated report: (i) the need to win organizational buy-in for a new or different approach to reporting that may well challenge existing silos and prevailing operating culture; (ii) content issues and the wish to ensure the report is appropriately succinct and focused; and (iii) issues to do with data quality and the level of

sophistication for non-financial measures as opposed to more established financial measures, and associated challenges of assurance.

i. Buy-in and culture change

For some organizations, the introduction of integrated reporting is seen as a culture change opportunity. Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, expresses this clearly: 'our challenge is to interlock both reporting processes more closely. The discussion about how to do this is very helpful in defusing 'silo thinking'. This also helps to promote cultural change, as there are a lot of positive results, such as finding synergies between departments, heightening the internal focus on sustainability and uncovering long-term cost savings.'

Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines, similarly talks about the need to 'get buy-in from various groups' and Javier Perera de Gregorio, Organization and CSR Director for Enagás, describes the challenge of breaking down silos to uncover and link information in ways that demonstrate the company's story of value creation. Jacqueline Nichi, Corporate Communications Coordinator at Natura, in Brazil, one of the most long-running practitioner of integrated reporting, talks about the importance of empowering employees to thinking strategically – 'for the report is the result of triple line management embedded in the company'.

In the Philippines, Enrique Florencio, Head of Knowledge Management and Sustainability Officer of the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), identifies leadership and commitment, organizational competence and capacity, measurement and reporting strategy, alongside building the business case for transparency, as key challenges in his community.

ii. Balanced content

For many companies, a key challenge revolves around 'finding the right balance' when it comes to the possible contents of the report. Lauren Owens, the Corporate Responsibility Performance Manager at The National Australia Bank, discusses 'the need to ensure that integrated reporting does in fact simplify rather than complicate reporting, in an already heavily regulated environment.'

Björn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department, identifies the fundamental challenge of 'balancing three dimensions in a

limited space.' At Syngenta, Marina Prada, Senior Corporate Responsibility Manager, similarly discusses: 'how to find the right balance between including what is really material to our business and industry and reporting on a vast range of topics and indicators because it seems common practice. We would like to report what really matters, but we find it challenging to address the reporting expectations of all stakeholders.'

iii. Data quality and assurance

A repeated challenge across many different companies regards data gathering and its assurance, as explained by the CSR Department for Inditex: 'Integrating financial and non-financial information can be challenging in terms of measuring non-financial data. In order to produce a reliable, balanced report, ESG information is treated with the same rigor as financial information. Inditex has to develop and implement internal processes and protocols to collect and analyze this information.' Marina Prada, Senior Corporate Responsibility Manager at Syngenta similarly identifies a challenge in the difference between financial and non-financial data with regards to quality, the timing of collection and maturity of systems and processes. The view at Natura from Jacqueline Nichi, Corporate Communication Coordinator, is that 'the main challenge today is technical' and that the evolution of IT and data systems will play a part in improving and helping to drive integration.

To what degree has the GRI reporting process helped your organization prepare an integrated report?

Various reporters describe GRI reporting processes as a type of 'a roadmap', 'baseline' or 'reference point' in their development of an integrated report – with GRI helping them (i) to appraise what may be considered material at the outset of their reporting process, or (ii) to provide a check-list for reflection after their report has been compiled. At the same time, reporters also grapple with (iii) the volume of disclosures that they could report within the GRI Framework and how to focus on what is material.

i. GRI as compass

Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, refers to GRI as a type of compass or sounding board: 'combining both reports, we followed the storyline of sustainability reporting. Reporting against the GRI Guidelines helped us right from the start to answer the question: what does it take to be a sustainable company?'

Jacqueline Nichi, Corporate Communication Coordinator at Natura, similarly observes: 'the GRI Guidelines really helped to widen our comprehension of different aspects of our business, from work security to diversity. As a result, the Guidelines helped us systematize a process of thinking ahead, including reflection on possible solutions and opportunities, and enabled full analysis of risks associated with different themes.'

ii. GRI as check-list

Other organizations describe using GRI as a useful reference point or perspective that is secondary to their individual corporate approach to integrated reporting. Marina Prada, Senior Corporate Responsibility Manager at Syngenta, explains: 'our reporting approach and report structure were driven by our strategy and the associated communication needs. GRI provides a holistic view on external stakeholders' expectations.'

Similarly, the South African Eskom's Ian Jameson, Chief Advisor on Climate Change and Sustainable Development, writes: 'the GRI Guidelines (specifically the Electric Utility Sector Supplement – EUSS) do not drive the content development, but rather the other way round, where Eskom first prepares the report around the material issues and then checks and reflects on the inclusions and/or exclusions of some of the EUSS indicators in the content.'

iii. The challenge of focus

Several reporters are concerned with the breadth of GRI Guidelines reporting disclosures and that there is a need for guidance on how to focus the content when it comes to integrated reporting. Marko Vainikka, of the Corporate Relations and Sustainability Department at Wärsilä Corporation in Finland, observed: 'GRI of course provides the contents for sustainability reporting, but unfortunately it does not give significant guidance for integrated reporting. The number of details and different indicators needs to be reduced in integrated reporting.'

At Statoil, Hilde Røed, Principal Consultant for Corporate Sustainability, also observes GRI's 'onerous management disclosure requirements and very detailed breakdown of performance indicators' and suggests that: 'integrated reporting would benefit from drawing upon a limited set of key performance indicators, and the GRI Framework should allow disclosures of management approach to be presented in detail elsewhere.'

How have stakeholders responded to the integrated reporting format?

Without exception, all companies recorded a positive response from their various stakeholder communities. Denise Pronk, CR Adviser at Schiphol Group, summed up the benefits from the reader's perspective: 'all the relevant and material information is available in one report and the reader does not have to switch between a financial annual report and a sustainability report. An integrated report is easier to read because it has more narrative than traditional annual reports.' Jacqueline Nichi, Corporate Communication Coordinator at Natura explains that Natura has gone further and experimented with its report's format so that it is 'more like a magazine, in format and language', making it 'more friendly and easy to read', supported by a new website that provides further information for different stakeholder groups and in different languages.

The National Australia Bank and Novo Nordisk both acknowledge that integrated reports may sometimes omit information that is of interest to certain stakeholders and that it's 'essential' to provide that information via other channels. The National Australia Bank publish Dig Deeper papers to provide more insight into particular issues, and Novo Nordisk also emphasize the need to reach out to stakeholders who may need information or engagement additional to that provided by the integrated report.

What recommendations do you have for reporters setting out on the journey of integrated reporting?

Companies with experience of integrated reporting have a variety of recommendations for newcomers to the field. These are in particular: (i) the importance of effective internal engagement to build understanding and support; (ii) the degree to which business models and strategies with sustainability at their core will naturally incline to integrated reporting; and (iii) the importance of a clear narrative built around material issues.

i. Internal support

Rodrigo Santos Nogueira, General Manager of Banco do Brasil's Sustainable Development Unit in Brazil, emphasizes that: 'concern for sustainability must permeate the entire organization and help it to reflect on its products, processes and services, since the report is a reflection of management.'

The Inditex CSR Department recommends: 'as a first step, it is necessary to break any information silos and obtain a 360

degree view of how the company creates value over time. Once this is done, it is important to focus and define which issues are material for the company and should be reported.'

Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines, is similarly clear on key steps: 'form a cross functional company team, gain buy-in from all levels; start small, and aim to improve each year.' This advice is echoed by the Schiphol Group: 'commitment from the top is crucial, as is the involvement of multiple disciplines and heads of several business and corporate units, including the corporate strategy unit.'

ii. Reflection of strategy

Many reporters refer to the complexity of developing an integrated report, but also emphasize that it is an activity which will help an organization, ultimately, to simplify and join up its thinking and learning along the way.

Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, observes: 'first think about how to include sustainability into your strategy and your business model. Doing this, you start with an integrated way of thinking. Since reporting is a description of your business in a transparent way, this is a good starting point for your journey.'

Marina Prada, Syngenta's Senior Corporate Responsibility Manager, similarly observes: 'if there is integrated thinking in your organization and sustainability is part of your company strategy, then a move towards integrated reporting will be just a natural and logical development.'

Javier Perera de Gregorio, Organization and CSR Director for Enagás, describes how the company's report was structured 'around the value chain, showing how the company obtains results and impacts through its strategic plan, and the resources, governance model and risk management it employs in its business processes.'

iii. Focus on material issues & clear narrative

Björn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department, has one succinct recommendation for new comers to integrated reporting: 'focus on what is material for the company.' Wärtsilä Corporation also emphasizes the importance of 'really finding the core messages and right balance between financial and non-financial issues.' Hilde Røed, Statoil's Principal Consultant for Corporate Sustainability, again encourages focus: 'select a limited set of indicators, rather than covering the entire GRI reporting requirements in the report, and use other formats as supplements.'

Finally, Lauren Owens, Corporate Responsibility Performance Manager for National Australia Bank, neatly sums up the overall opportunity for companies considering embarking on integrated reporting. She says: 'get started – it's only growing, so the sooner you can get in and start testing new ways of reporting, the better chance you will have of approaching integrated reporting in a proactive, rather than reactive way.'

5 Conclusions

Integrated reporting is the subject of much experimentation across different sectors all around the world. Overall, some clear themes are discernible:

- **Integrated in structure as well as title:** While some reporters have just chosen to rename or self-declare their traditional sustainability report as 'integrated', others are looking at different ways of genuinely bringing information on financial and non-financial performance together – either by simply publishing their usual annual report and sustainability report as a single publication under one cover, or by looking at more sophisticated interlayering of financial and non-financial dimensions so they are embedded together. *Embedded* reports are growing year-on-year and now comprise at least a third of all self-declared integrated reports found in the GRI database
- **Inspiration by regulation:** Certain countries – particularly South Africa, Australia, The Netherlands and Brazil – seem to have inspired far more integrated reporting across certain sectors in their economies than other countries, frequently due to a variety of government and stock exchange initiatives that have helped to encourage or mandate greater disclosure
- **Sectors in the spotlight:** It is perhaps not surprising that those sectors that typically receive a fair degree of public scrutiny of their activities – particularly financial services, energy, energy utilities and mining – have taken the lead in exploring how integrated reporting might work, particularly in those countries where some form of regulation already incentivizes or requires greater disclosure
- **A logical and natural step:** The corporate experimenting with integrated reporting have a wealth of experience to share. For many of them, sustainability is already central to their business models and approach to value creation, and so integrated reporting is simply the logical and natural way for them to report on their performance. In fact, it would seem counter-intuitive, laborious and inefficient to the majority of them to 'silo' their reporting into separate vehicles
- **Breaking barriers to joined-up thinking:** The companies recognize that integrated reporting can challenge existing silos and prevailing corporate cultures. They invariably recommend strong leadership from the top to win organizational buy-in and support for a reporting process that will ultimately lead to more creativity and joined-up thinking across the organization, as well as enhancing the company's narrative of its approach to value creation and accountability for material issues to the world outside
- **Closing data and technology gaps:** Many recognize that there are issues to do with data quality and collection regarding sustainability variables, particularly when compared with the more mature systems for the collection and assurance of financial data. In all instances, this is perceived as a journey of continuous improvement, with organizations learning and enhancing processes year-on-year, and new technology simultaneously offering up improved solutions
- **Material issues and narratives on message for stakeholders:** These companies recognize that it can be a struggle to find the right balance of content within an integrated report, but repeatedly come back to the imperative of identifying the right material issues for a particular business and ensuring a clear narrative that explains performance on key issues and the significance for the company's value creation. Invariably, stakeholders in companies that publish integrated reports are positive in welcoming the results
- **GRI as a compass of sustainability:** Some of them want to see GRI hone key performance indicators specifically from the perspective of integrated reporters. Others appreciate how GRI 'opens their eyes' to the breadth of potential sustainability concerns for their business, and find the GRI reporting process a good reference point as they construct an integrated report. As one pioneer put it: 'GRI guidelines helped us right from the start to answer the question: what does it take to be a sustainable company?'
- **Work in progress:** Possibly the most important theme from this research is the fact that integrated reporting is rapidly evolving. As yet, no single party has all the answers to what comprises a successful integrated report. As the word 'integration' suggests, this exercise must be collaborative at heart – bringing expertise from different arenas together to forge the future of corporate transparency and accountability. In this context of creative flux, dialogue and experimentation, it will be interesting to watch how the IIRC's first framework for integrated reporting is received later this year

GRI is pleased to share the results of this research into the emerging trends and pioneering practices of integrated reporting, and welcomes all feedback, discussion and insight that we hope this publication inspires.

6 Experts' Perspectives

Peter Bakker, President of WBCSD and Deputy Chairman of the IIRC

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

The world of corporate reporting has been going through an identity crisis in the past few years. Historically, there has been a legal obligation to produce an annual report detailing historic financial performance and governance compliance, presented for the business's investor stakeholders. This remains a significant cost on the business (in terms of data production, audit and presentation). However, these reports remain backward looking and regulatory in nature.

At the same time, the growth in sustainability reports has been significant. These reports have more freedom in terms of their format and content and in many ways they afforded the company an opportunity to show its wider stakeholder community the business's response to environmental and social issues. The reader is provided with a wider and more meaningful understanding of the objectives, culture, operations and responsibility of the business entity.

Given the fact that both reports were being produced at the same time, it is not surprising that many companies saw the opportunity to bring them together into what have been called "Integrated Reports". The Oxford English Dictionary defines integrated as "various parts or aspects linked or coordinated". Those organizations that have combined their financial and non-financial reporting into one document believe they have integrated the two reports, as the resulting report is linked and coordinated – at least between the same front and back cover. The drivers behind such reports are efficiency, cost reduction and better communication of a holistic view of the business.

However, reporting of financial and non-financial information in one report is not always integrated: more accurately, it should be considered "combined reporting". The financial statements still only deal with the existing rules of the game and are defined in monetary terms. They are prepared in accordance with Generally Accepted Accounting Standards affording comparability between companies, whereas non-financial information is a mixture of qualitative and quantitative disclosures based on voluntary principles-based frameworks and guidelines leading to little by way of comparability.

Until the full performance of a business (in terms of its financial, social and environmental impacts) can be reported against a universally agreed set of rules (that define reporting scope, materiality and performance methodology), financial performance will continue to dominate value perception.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

Central to an integrated report is its ability to link how a business deploys its chosen business model(s) to convert material financial and non-financial capitals (intellectual, manufactured, social, human and natural) to generate value (on the premise that value is determined by a net positive return on the same financial and non-financial capitals).

Therefore, a business strategy needs to have sustainable outcomes built into it, not bolted onto the side of the business or separate to its core activities.

The skill in preparing such a report rests with the ability of the reporting organization to transparently and concisely document this process and to present evidence to support their view that value is indeed created.

How do you see the link between sustainability reporting and integrated reporting?

Integrated Reporting <IR> is about giving credit where credit is due. A company that leaves the environment and the community better off than when they began their activities should have this reflected in their true value proposition. It is the next step in the evolution of financial and sustainability performance in an integrated and transparent way. The WBCSD is passionate about <IR> as a means of changing the way investors value businesses and allocate financial capital. We are fully committed to the development of the IIRC's <IR> framework as we believe that what gets measured gets managed. Investors need to take a more holistic view of an organization – not just the financials. This is the start of the journey to better corporate reporting.

<IR> is currently voluntary. The IIRC has designed the Consultation Draft with investors in mind as the primary users, setting out the principles for a business to follow, linking strategy with financial and non-financial capital streams. <IR> will describe and disclose how an organization's business model uses financial and non-financial capital in producing value. The Consultation Draft will not provide the rules that must be

followed in the creation of an integrated report. Instead, it will provide a framework that an organization can use to determine how it should disclose its value creation journey in the short, medium and long term through its business model and its use of six different capital streams.

Any other comments you would like to add or emphasize?

The WBCSD urges investor relations staff and board members to understand what <IR> is, as defined in the Consultation Draft. Senior management should remain open-minded and embrace <IR>, exploring how they can improve the linkage between strategic intent and performance. Financial capital is disproportionately considered in the way in which a company is valued. Social and environmental impacts are not recognized to the extent they need to be in investment and capital allocation decisions. This is short sighted.

Ian Ball, Chair, Working Group, IIRC and former Chief Executive Officer, International Federation of Accountants

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

There are various explanations for companies moving to report on an integrated basis, and to go beyond the traditional annual report and financial statements. Some of the explanation may be trivial – fashion, if you like – but to me the most powerful is the economic explanation – that reporting more expansively on a company's performance is valuable to the company. As the proportion of a company's value reflected in its physical and financial assets diminishes, there is an increase in the value of information that gives investors a more complete understanding of the company. Such an understanding will not be complete if it does not describe the company's business model and strategy, and how that strategy addresses issues related to environmental, social and governance issues, as well as intellectual property. More complete information reduces the uncertainty faced by investors, and therefore the company's cost of capital. Put simply, it is in a company's interests to be transparent as it reduces risk to the investor.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

The core part of an integrated report is, to me, the business model, as that explains how the business creates value. But for the description of the business model to accurately report value creation, it is critical that it explains how the company impacts the capitals upon which its success is based, including its impact on natural and social capital.

How do you see the link between sustainability reporting and integrated reporting?

Sustainability reporting relates to one important aspect of a company's performance, without which an integrated report would be incomplete. So sustainability reporting is an essential part of an integrated report. This means it is also critical that the development of reporting frameworks and standards for sustainability reporting and integrated reporting be managed as complementary efforts.

Robert G. Eccles, Professor of Management Practice, Harvard Business School

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

I think there are two main reasons for this. The first is that various people and groups are advocating integrated reporting as the next major evolution in corporate reporting, following financial reporting and then sustainability reporting. Some companies want to be on the leading edge of the wave and perceive internal and external benefits in doing so. Some just want to be doing the latest thing. The second is that companies see integrated reporting as a good discipline for ensuring that the company has a sustainable strategy and for creating the necessary internal linkages, what people now like to call "integrated thinking." A third, and I don't think significant or compelling reason, is that it saves printing costs by only having one report. Which are their drivers? Companies and investors are increasingly focusing on sustainability issues for market reasons and to varying degrees governments are forcing them to do so.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

The core part would be the key financial results (and maybe would not include all the detailed financial information)

and results on nonfinancial performance on topics that are material to investors. It would also include a discussion of the relationship between financial and nonfinancial performance, a discussion of current results and how they compare to projections, a discussion of the company's strategy and external environment (e.g., competition, regulation, and trends), and a discussion about plans and targets for the next year and longer periods.

How do you see the link between sustainability reporting and integrated reporting?

Integrated reporting is for investors and for stakeholders who want a holistic view of a company's performance. Sustainability reporting is for stakeholders who want detailed information on issues of importance to them and for investors who want a glimpse of issues that might become material to them in the future. I don't think integrated reporting makes sustainability reporting go away, although it may have implications for its format. I also think the implications will vary by country due to variations in regulation concerning what are the required official filings.

Any other comments you would like to add or emphasize?

Two things. First, we need to get away from thinking about reporting simply in posted document terms. Using the company's website for different delivery formats is becoming more important and I don't see that trend changing. Second, reporting should be as much about listening as talking so: engagement in preparing the report and in getting feedback on it in terms of content, format, and the results themselves.

Sonia Favaretto, BM&FBOVESPA's Sustainability Officer

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

In my opinion, what explains this tendency for companies to report financial and non-financial information in a more integrated manner in recent years is a desire to prove to mainstream audiences (CFOs, investors, financial analysts) that sustainability is a business variable, rather than merely an environmental issue or a theme confined to social causes, for example. In addition, by publishing these reports, companies are trying to show all their stakeholders that they understand

the impact of these new requirements on their business activities via what is known as the triple bottom line. The effort to integrate financial and non-financial disclosures is healthy and most welcome, whatever format is used.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

Assuming the premise that a report is only really integrated when the company's strategy is integrated, and that this is a work in progress, the more sustainability is integrated into strategic planning, risk management, innovation and forecasts of financial return, the closer we will be to surmounting this challenge. When a company incorporates environmental, social and governance variables at this level of refinement into its business model alongside economic and financial variables, it will be within reach of genuinely integrated reporting because this will be the product of an integrated strategy.

How do you see the link between sustainability reporting and integrated reporting?

I cannot conceive of integrated reporting without sustainability reporting. Indeed, we are able to talk about integrated reporting today only because of the long period of learning about what sustainability reporting is. The key actor and driver in this process was and still is GRI. Sustainability reporting introduced the world to the importance of the quantitative and qualitative non-financial information that is the core of integrated reporting, impacting it and being impacted by it.

Any other comments you would like to add or emphasize?

Reinforcing my first answer, I believe we are only midway to constructing an integrated company grounded in integrated thinking in the sense that financial and non-financial variables have the same weight and significance. Meanwhile, every effort to integrate reporting will be welcome as a demonstration that the company understands the importance of putting sustainability at the core of its business strategy and ensuring that it is discussed at the highest levels of governance. Once this happens, integrated reporting will be natural – after all, an annual report is the story and history of the company's activities with an eye on the past, present and future. Until then any attempt to produce integrated reports that place as much emphasis as possible on sustainability is a stimulus to keep the process moving forward.

Alex Malley FCPA, Chief Executive, CPA Australia

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

Firstly, there is a strong consensus that having information spread across a number of reporting media is sub-optimal. From the user perspective it impedes the forming of a comprehensive and coherent understanding of corporate performance and prospects. From a preparer's perspective, use of separate reporting mediums is more costly and does not reflect the business reality of the interconnection of performance across a range of dimensions. Of course, this requires more than bolting the sustainability report to the financial statements and annual report. The integration process requires a rationalization of some information and development of dialogue around the interconnection of other types of information. This can take place notwithstanding the absence of an accepted definition of integrated reporting and acceptance of a clear conceptual framework for integrated reporting. A further driver of early adoption of integrated reporting centers on reputational value in being progressive and innovative in both disclosure and associated engagement with users.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

To some degree, this is already established with the IIRC's notion that integrated reporting's focus is on the entity's business model and a stock-and-flow of capitals. Over and above these mechanical attributes of preparation, there are deeper questions of determining whose value it is and what are the appropriate measures. Moreover, the link between sustainability and value creation involves trade-offs. What is involved, therefore, is a rethinking of the implications of wealth maximizing market behavior. Ideally, disclosed corporate information will emphasize both value creation and value preservation into the future. This, in turn, should impact positively on market participant's undue emphasis on rewarding short term performance. Additionally, reporting of value creation (and depletion) has traditionally taken place within a boundary of corporate ownership or control. As such, the recognition of value needs to be assessed in relation to impacts extending beyond the corporate boundary. The core

part of an integrated report should disclosure and discuss economic performance as it affects not only owners, but also how its impact on the business's and wider societies' capacity to sustain value into the future. Clearly, some of these disclosures will be speculative and discursive in nature, and must be understood in these terms. Also, this information should be seen as discrete from stakeholder disclosure which remains a core element of GRI based sustainability reporting. How do you see the link between sustainability reporting and integrated reporting?

Both financial reporting and sustainability reporting have been subject to a degree of misunderstanding in the context of integrated reporting's emergence. Initially, there was an erroneous belief that they will be replace, or somehow superseded, by the development of integrated reporting. The information within an integrated reporting will, of its very nature, be highly aggregated, and will therefore be heavily underpinned by both financial and sustainability reporting. Users of corporate information will require both detail and specific types of information that is not capable of being captured in integrated reporting. Measurement of the six capitals which make up integrated reporting is, I believe, one of the significant challenges. Much of this information should be sourced from underlying measurement and reporting systems that are used to produce both financial and sustainability reports.

Any other comments you would like to add or emphasize?

Whilst integrated reporting should be seen as a positive good, it should not come at the cost of producing comprehensive, though targeted, sustainability information. It is important that there continues a strong dialogue between those parties responsible for the development and ongoing improvement of each of the streams of corporate disclosure. Failure in this regard potentially leads to both disharmony in the conceptual basis of each framework and an undermining of the endeavor to improve the overall architecture of corporate reporting.

Amy Pawlicki, Director, Business Reporting, Assurance and Advisory Services, AICPA

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

I believe there are a number of drivers behind the uptake of Integrated Reporting <IR>, including (but not limited to) the following:

There is increasing market pressure for more transparent, relevant business reporting around the world. Companies, especially in certain industries, have for a long time faced regulatory reporting requirements related to their environmental practices, for example related to their carbon emissions. Increasingly, market pressures such as supply chain requirements and consumer demand for green and socially responsible products are driving companies to communicate more meaningful sustainability reports. Add to this increasing investor and other stakeholder demand for reports that better capture the ability of a company to create and maintain value vis a vis the financial statements alone, and Integrated Reporting <IR> represents a very attractive option in terms of starting to connect all of these reporting needs in a more cohesive manner. I also believe the South African mandate for Integrated Reporting is a huge driver of adoption in that it demonstrates to companies and their stakeholders that many of the perceived barriers to Integrated Reporting are just that – perceived more than real.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

The core focus of an Integrated Report should be communicating the ability of the company to create and maintain value over the short, medium and long term. I agree with the statement at the beginning of the IIRC Consultation Draft that "corporate reporting needs to evolve to provide a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment." For companies in certain industries, there will necessarily be a greater focus on sustainability in the environmental and social sense, as their operations may have a greater impact on the environment, or their practices may have a greater potential impact on the people they employ and/or affect through their operations. For example, the integrated report of a virtual organization that provides consulting services might be expected to focus more heavily on intellectual capital and less on environmental and social and relationship capital than a company in the extractive industries. I think the key for any company is to consider all six of the capitals covered under Integrated Reporting <IR>, and to give emphasis in their reporting to those areas which are most relevant to their ability to create and maintain value within the context in which they operate.

How do you see the link between sustainability reporting and integrated reporting?

Most people's definition of sustainability reporting covers environmental, social and in some cases governance practices. Sustainability reporting today is driven by both regulatory and market forces, and is an important aspect of what companies disclose. In some cases, there may be a regulatory or market requirement for a stand-alone sustainability report, which would not necessarily be replaced by an integrated report depending on the circumstances. Integrated Reporting <IR> is focused primarily on the information needs of the long-term investor, and as such will incorporate key social and environmental disclosures that contribute to the ability of the company to create and sustain value over time. Therefore these disclosures may be more concise in the context of the integrated report, but should be consistent with the more detailed sustainability reporting requirements with which a company may be asked to comply to satisfy the specific needs of other stakeholders such as customers, distributors, regulatory bodies, and others.

Any other comments you would like to add or emphasize?

Traditional financial reporting (i.e. reporting under IFRS or country specific GAAP), was to a large extent designed to be applied in a consistent manner by companies regardless of their industry or business model, and it was designed at a time when manufactured and financial capital were the primary drivers of value. Today, traditional financial reporting still works remarkably well given the diversity of industries represented and business models employed by companies around the world, but there is little argument that accompanying non-financial reporting is needed to provide a true picture of the value creation potential of company in today's complex global economy. That being said, what is meaningful or material for the purposes of reporting outside the confines of financial reporting can vary significantly by industry and by company (even more so than it already does under financial reporting), which makes the task of coming up with a globally relevant framework extremely difficult. The Consultation Draft of the International <IR> Framework represents an important step in providing meaningful conceptual structure and guidance to companies who wish to communicate more effectively with their stakeholders. In order to realize the full potential of the <IR> Framework, however, there is a need for specialized disclosure frameworks for companies to look to common best practices elements and definitions to drive consistency and transparency in disclosure. As mentioned before, given

the diversity of industries and business models represented by companies today, I believe this is not something that one organization can take on alone. Rather, it is something that market-driven efforts specializing in specific areas can help to build over time, to complement and support the application of the <IR> framework. Examples include the Global Reporting Initiative (GRI) framework, the Carbon Disclosure Standards Board (CDSB) framework, and the industry-specific KPIs being developed by the World Intellectual Capital Initiative (WICI), just to name a few – there are many more groups doing great work in this area.

I also believe that positive developments in corporate reporting are, and will continue to be, facilitated by the movement from a paper-based reporting model to an electronic reporting model. The application of common electronic formats to both financial and non-financial reporting streams enables more efficient and effective reporting and analysis of reported information. By employing a common electronic format, users can more efficiently access and analyze the information that is relevant to them, maximizing their ability to leverage the information that is being reported and eliminating the need for rekeying or manual manipulation of information. Furthermore, reporting entities will benefit from a more efficient and effective reporting process, eliminating the need to duplicate the reporting of common elements across multiple stakeholders, and eliminating the third-party normalization of data that often distorts company information before it reaches key stakeholders. For these reasons I believe the development of XBRL taxonomies to support the <IR> framework and the other disclosure frameworks referenced above will serve as a key enabler of adoption over time.

CMA A.N. Raman, Chair, Sustainability Advisory Group, International Federation of Accountants (IFAC)

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

Companies have understood well that the valuation of business by investors moves beyond financial parameters. Some companies in India, in fact, started embedding sustainability into business well before even sustainability reporting started, as it was the right way of doing business. However, such

companies were not in the majority. The value creating drivers were more aligned to the sustainability world and hence these companies went into sustainability reporting as a natural thing to do.

However, the chasm between financial metrics and sustainability metrics was always there. But as the world started speaking of integrating the financial metrics with sustainability metrics, the framework was still missing. But the spirit started filling the atmosphere.

The companies which are first movers on any such initiative started making attempts to place sustainability figures along with financial metrics and with some modifications started declaring their reports as integrated reports. These companies always knew the content of future IR can be perfected and can evolve over time. My view, therefore, is that these companies that wanted the early mover advantage and helped by evolving expertise, attempted what I may call first generation integrated reports without a standardized approach.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

The core part of an integrated report should concisely explain their business model of creating value. The business model should bring out the touch points with various forms of capital creation and should say in a continuum in what direction the reporting entity is moving.

How do you see the link between sustainability reporting and integrated reporting?

The KPI and disclosure elements of the sustainability reporting form a very important building block of an Integrated Report. But GRI should bring out an approach paper as to how to map various KPIs to the six forms of capital. In particular, the correlation between KPIs, if brought out with conceptual clarity, can be of great value to IR preparation.

Any other comments you would like to add or emphasize?

The past efforts of GRI in articulating the sustainability framework to the accounting community has not been adequate. As a result, the accounting profession sees sustainability reporting as not their cup of tea and maintains a distance. This I see as a strategic gap which should not exist and needs reconciliation.

Paul Simpson, Chief Executive Officer, CDP

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

Drivers for integrated reporting come from both the information supply (where information is already being supplied by companies) and the information demand side (where the need for further or better information exists). On the demand side many commentators state that current annual reports are too short term, too backward looking, too complex, perhaps too long and too short and do not take account of the full range of resources and relationships on which companies rely to create value.

On the supply side, there are regulations and practices that already require companies to report on most of the principles and content elements set out in the draft Integrated Reporting Framework. For example, securities/corporate/governance regulations and provisions in many jurisdictions, as well as the IASB's management commentary guidance and the indicators/information requests specified by GRI and CDP already require disclosures on strategy, risk, opportunity, performance and governance. Examples of regulation include the King Report on Corporate Governance in South Africa where compliance is required for companies listed on the Johannesburg Stock Exchange. UK law will soon require certain companies to describe their business model and many large companies do so as a matter of course, although definitions of business model vary. In the US the SEC requires companies to report on risks in their 10k's including specifically risks stemming from climate change.

A very strong driver for integrated reporting is the growing awareness that economies rely on limited natural resources and that we are close to or beyond sustainable limits in many cases, leading to new risks and opportunities for companies and investors and systemic risks for the economy at large which countries and investors are unprepared to address. Environmental factors are therefore increasingly seen as providing significant risks and opportunities to corporations' future performance. Investors are increasingly demanding sustainability information from companies and many companies are therefore keen to inform investors how their sustainability strategy will affect/improve business value, hence they have started to integrate some sustainability information into their annual report.

There is an increasing expectation from investors that executives demonstrate governance of the full range of factors affecting the medium to long term future value of the enterprise.

The creation of the IIRC has stimulated the debate about integrated reporting and many companies are keen to be early movers, to influence the agenda and get recognition for leadership.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

The core element of an integrated report should be how macro factors outside the company are going to affect the strategy and success of the company into the future. Specifically, there should be an explanation of how the business both relies upon, and impacts the full range of capitals, not just within the boundaries of the enterprise but from the perspective of the whole system, as many externalities will increasingly become internalized in years to come.

There needs to be a demonstration of the management team's ability to think medium to long term with respect to the implications of emerging trends in resource scarcity and the way their business model needs to evolve to deliver value in a changing context.

There is not just a link between sustainability and business value creation – the two are mutually dependent – one does not happen and is not possible without the other in the long term. One problem which integrated reporting should seek to address is the compartmentalization of sustainability reporting, suggesting that it is separate from or supplemental to other business reporting, namely annual reports and financial filings. Businesses should report on the things on which they are dependent for success, whether they fall within current concepts of "sustainability information" or financial information or governance.

How do you see the link between sustainability reporting and integrated reporting?

They are one and the same. A business creates value from resources and relationships. Those resources can include money, natural capital, reputation or ideas or more. Those relationships include contracts with suppliers or employees, engagement with investors and communities and so on.

Sustainability will therefore be an important part of integrated reporting provided it is woven into the narrative on medium to long term value creation in a way which is relevant to the way investors think about value and risk in their portfolios and aligned with how companies realize value from becoming a more sustainable business.

Any other comments you would like to add or emphasize?

There is still more to do to clearly define and unify what integrated reporting means. Because of the complexities involved in assessing how value is created, there is a risk that integrated reporting captures only high level strategic information. Whilst this is likely to be the best role for integrated reporting it is important that the trend in clear, accurate, comparable and trustworthy sustainability data continues.

Much great work has already been achieved on advancing sustainability reporting and as Integrated Reporting develops and is clarified, the existing frameworks and standards should be used and enhanced where necessary. Rather than reinventing the wheel, it needs to add to the existing reporting vehicle to improve its performance.

Takayuki Sumita, Executive Director, JMC Brussels Office and WICI Chairman

Considering the variety of formats of these self-declared integrated reports, in your opinion, why have companies started preparing integrated reports around the globe? What are their drivers?

The cost of responding to increasing demands from each social community, and technological change.

Many companies have already faced a troublesome situation where they need to respond to numerous requirements posed by specific interest groups, each of which has its strong interest in a certain aspect of social issues. Since the cost has increased to meet those requirements, including setting up a certain special section to summarize individual reports, some companies began restructuring many kinds of reports. That is one of the main reasons for companies to prepare integrated reports, I believe. Also, the international initiative taken by the IIRC has made them feel that integrated reporting is a promising direction, and helped them to prepare even before the framework has been completed.

We also need to recognize that the Internet has drastically changed the environment surrounding corporate reporting, by introducing new dimensions of transparency in terms of depth, breadth, timing as well as the accessibility and reusability of information. The new practice of integrated reporting by companies is one aspect of their reaction to their stakeholder communities' information needs and interests, providing more comprehensive and timely information.

Considering your perspective in relation to the link between sustainability and business' value creation, what should be the core part of an integrated report?

Economic sustainability, or enterprise's long term value creation capability, in a narrative.

The general perception of companies about the word 'sustainability' tends to focus more on environmental or social aspects. Unfortunately, in many sustainability reports there is a lack of attention to the fact that sustainable value creation, -profit, activities and existence itself- is a very important part of a company and society, though the very core part of corporate activities lies in creating value rather than preserving the environment or society. So I believe it is desirable to properly focus both on the aspect of the long term value creation of companies and its implication for the environment, society or other external world in an integrated report. In order to explain the long term value creation as core activities for a company in an integrated report, it should focus on the following in a narrative: what they see as the characteristic of the company including the strength, accumulated resources and capitals, what is the goal of the company's activity, what kind of value they want to provide in a long term, and how they can attain the goal and by what kind of strategy or business model.

In such a sense, the substance of the integrated report is mainly really about material issues which were chosen by a company, and are therefore company-specific ones.

How do you see the link between sustainability reporting and integrated reporting?

Identifying material issues in the integrated report, describing a value creation story outlined above may be a good basis for users to judge what kind of sustainability the company places emphasis on.

On the other hand, traditional sustainability reports tend to cover every element on which each interest group puts

emphasis as an element of sustainability. In such a case, a sustainability report can't express what the really material element is for the company with regard to sustainability. If it is the case, one idea of the link between sustainability reporting and integrated reporting is that the latter be the primary report showing the priority for the company in terms of value creation and sustainability, while the former can be used as a reference, or many companies may give up issuing sustainability reports. Rather, I hope the sustainability report can also reflect a company's sense of value, by identifying what kind of sustainability they respect. Then, the sustainability report can supplement the integrated report with details from the viewpoint of sustainability.

You can consider another thought on this topic from the viewpoint of the internet age, provided by Mr. Mike Willis, one of the important members of WICI.

Companies are incentivized to be as transparent as possible with their disclosures. With the internet and structured corporate disclosures, the ability for any investor to pull the most granular disclosure into their analytical models for analysis

is simply a mouse click away. Further, the 'big data' trend accelerated this transition from 'holistic' reports towards a data-centric model driven by consumer interests. In this dramatically more transparent disclosure and analytical Internet enabled environment, the link between sustainability and integrated concepts is determined largely by the consumer; stakeholders can pull information they deem relevant into their own personalized view of a company, supply chain, industry, market, etc. The concept of company 'reports' or 'documents' pushed or published is increasingly as outdated as fax machines. The consumers will make the link through their assessment of robust and relevant information.

Any other comments you would like to add or emphasize?

In the internet age, responding properly to consumers' diversified demand is more important than before. For that purpose, to create a common dictionary of the words, indicators or calculation methods would be beneficial for everybody, without standardizing the substance of company disclosure. Collaborative work with others to create dictionaries may be in the interests of the GRI and IR communities.

Responses from reporters who contributed to the research

The following reporters contributed to the research:

- Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Philippines
- Ballast Nedam, the Netherlands
- Banco do Brazil, Brazil
- Enagás, Spain
- Eskom, South Africa
- Fuji Xerox (Hong Kong) Limited, Hong Kong
- Grupa LOTOS, Poland
- Inditex, Spain
- Munich Airport, Germany
- National Australia Bank, Australia
- Natura, Brazil
- Novo Nordisk, Denmark
- Schiphol Group, the Netherlands
- Southwest Airlines, USA
- Statoil, Norway
- Swiss Post, Switzerland
- Syngenta, Switzerland
- Wärtsilä Corporation, Finland

Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), Philippines

Published reports included in the research sample:

Integrated Annual and Sustainability Report 2009 (Application Level C), *2010 Integrated Annual and Sustainability Report* (Application Level C), *Sustainability Report 2011* (Application Level C)

Name and function:

Enrique I. Florencio, Head of Knowledge Management and Sustainability Officer

Years involved in corporate reporting:

6 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

We are a small organization and it would be more cost efficient if we will combine our report into one. More than this, we believe that by reporting financial aspect alone, it doesn't provide answers on governance, strategy and sustainability. Sustainability report is a more holistic as it provides information in all relevant dimensions such as economic, social, environmental, and stakeholder engagements. The decision came from top management in consultation with the key officers.

2. What are the main challenges in preparing such a report?

Leadership and commitment, data gathering, the business case for transparency.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

Well, the reporting process help us see what to manage and measure its impact against the 4 pillars of our sustainable development framework such as environment, economic, social and governance.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Very much encouraging

5. What is your recommendation for reporters starting this reporting journey?

No harm in trying to do this type of reporting, I believe even a large corporation for that matter can do a combined reporting as this is more sustainable and cost efficient.

Ballast Nedam, Netherlands

Published reports included in the research sample:

Annual report 2009 (Application Level C), *Annual Report 2010* (Application Level C), *Annual Report 2011* (Application level B+)

Name and function:

Susanne IJsenbrandt, Senior Advisor, Sustainability Services

Years involved in corporate reporting:

Unknown

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

First we wanted to start with making a separate sustainability report. We thought this would be a good way to organize and communicate the information. However, our CEO, Theo

Bruijninx, decided to include it [sustainability report] directly in the annual report. He was afraid that sustainability would get kind of separate status while it exactly is a part of all of our activities. Sustainability and CSR need to become part of the genes of the people and that is why he wanted to directly integrate it.

2. What are the main challenges in preparing such a report?

The challenges were to clarify which topics we want to report on and in getting a clear picture of who collects and reports on what information. And following this, to have all information, including qualitative, in order at the same time as the financial information.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The GRI reporting process gives a kind of a grip of the route you need to follow and the topics you can discuss. It also helps as a means of putting pressure on the organization to effectively deliver the information. The intrinsic motivation is sometimes difficult and it is then handy if you can say that you 'have to' according to GRI.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

I haven't received that much feedback, but the reactions I got were positive. People found the fact that CSR information was integrated in the annual report a good move. They thought the way we presented information was clear and honest.

5. What is your recommendation for reporters starting this reporting journey?

That I find difficult to say. Every company is different and especially the people and the mentality vary which makes the processes work differently. I would start by talking about the processes with people who have a lot of experience in this area. GRI helps and ISO 26000 too, I think, although I don't have experience of it myself.

Banco do Brasil, Brazil

Published reports included in the research sample:

Annual Report 2009 (Application Level A+), *Annual Report 2010* (Application Level A+), *Annual Report 2011* (Application Level A+)

Name and function:

Mr. Rodrigo Santos Nogueira - General Manager - Sustainable Development Unit

Years involved in corporate reporting:

Unknown

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

In the relationship with its various public, Banco do Brasil prizes ethics and transparency, providing quality and timely information. Its business and practices adhere to principles combining social and environmental responsibility and profitability, ensuring a performance committed to the future of the planet.

In this way, believing that the sustainability permeates all the company's processes, since 2002 the senior management of BB chooses to publish a single report. In the Annual Report of the Banco do Brasil the socio-environmental issue adds to the usual financial statements and financial results that were previously exclusive into accounts such as this.

2. What are the main challenges in preparing such a report?

Among the main challenges, there is a continuous search to publish an effectively integrated report, where value, sometimes intangible, of the sustainability will compose the financial statements of the Company. Given this scenario, the new version of BB Sustainability Plan - Agenda 21 2013-2015, approved by the Board of Officers, contains an action that proposes an attempt to bring together the initiative IIRC - International Integrated Reporting Council, to structure a integrated reporting model.

By setting and understand that the Annual Report is the main company's corporate reporting and has an audience of readers so distinct, the materiality definition and the language used also becomes a great challenge. We are concerned to bring relevant issues to shareholder and also the community benefited from social investment projects. The language must be clear enough that such a diverse audience can understand and feel part of our practices.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The Banco do Brasil has maintained its accountability strategy to society, following the guidelines of the Global Reporting Initiative (GRI - G3).

By establishing a unique information reporting standard, the GRI method, which is employed on an international basis, facilitates the comparison of economic, social and environmental performances of different companies. Banco do

Brasil applies the indicators of the Financial Sector Supplement, operating at a self-declared Level A+.

When joining the GRI principles, that seek to assure the quality of the report, we have a much more complete and integrated vision of the accountability processes. These principles were particularly important to stakeholder engagement process which has been used not only to define content of reporting but as a source of improvement of management practices too.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

From the 2006 Annual Report the Banco do Brasil has adopted the GRI indicators. With this, the company has adapted its publication to the best practices of the market and provided the reader a better understanding and an integrated view of its result. At the meetings we conducted with our stakeholders, it can be noted the evolution in society's interest for environmental issues, which has greatly contributed to the building of our reports.

5. What is your recommendation for reporters starting this reporting journey?

First, we suggest analyzing the relationship between the internal decisions of the company and the impacts it can cause in the economic, environmental and social aspects. Then, it is worth seeking the contribution of stakeholders in order to confirm if the results of the analysis of the impacts and actions to be taken by the company are the ones that really matter. And especially, to prepare an integrated report, the company's management have to be necessarily integrated. In other words, concern for sustainability must permeate the entire organization and reflect on their products, processes and services, since the report reflects the management way.

Enagás, Spain

Published reports included in the research sample:

Annual Report 2009 (Application Level A+),
Annual Report 2010 (Application Level A+), *Annual Report 2011*
(Application Level A+)

Name and function:

Javier Perera de Gregorio, Organization & CSR Director

Years involved in corporate reporting:

10 years (5 years reporting following GRI)

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Together with other leading companies in international reporting, Enagás is taking part in a pilot program of the International Integrated Reporting Committee (IIRC) to establish a common framework for the preparation of integrated reports and enable participants to share best practices.

Enagás is committed to integrated reporting as a way of clearly and concisely presenting relevant issues affecting the company's capacity to create and maintain value in the present and future.

The top management of the company is committed to integrated reporting as an exercise of transparency demanded by all stakeholders, specially by the increasing number of investors that include both financial and non-financial criteria in their investing decisions.

2. What are the main challenges in preparing such a report?

The main challenge in preparing an integrated report is to break down established silos and link all the information in a way that the value creation story is shown. Integrated reporting requires integrated thinking, therefore, a prior exercise of analysis and management must be done, and thus connectivity of information will naturally flow.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI provides an international standard of indicators that help to identify concise and relevant information and also provides a comparability framework among companies of different sectors and from different geographies. Conciseness, materiality and comparability are concepts included among the guiding principles of the integrated reporting framework.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Enagás published in 2011 its Annual Report as a first step towards integrated reporting. In 2012, a focus group with main stakeholders was celebrated aiming to have feedback and identify improvement areas in the annual report. Stakeholders agreed on the need of including both financial and non-financial information at the same level, combining them, so that the company's value creation story is best understood.

5. What is your recommendation for reporters starting this reporting journey?

For companies in which integrated thinking is not yet a reality, this is a complex exercise.

In Enagás, we have started by structuring the report around the value chain, showing how the company obtains results and impacts through its strategic plan, and the resources, governance model and risk management it employs in its business processes. Next steps include reinforcing connectivity of information.

Eskom, South Africa

Published reports included in the research sample:

Integrated Report 2010 (Application Level A+),
Integrated Report 2011 (Application Level B+), *Integrated Report 2012* (Application Level B+)

Name and function:

Ian Jameson, Chief Advisor, Climate Change and Sustainable Development

Years involved in corporate reporting:

6 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

This decision was made in 2001, by the executive management of the time, to consolidate Eskom's sustainability report and annual financial report into one combined report. In 2002 Eskom released its first combined report, this was fortuitously the same year as the World Summit on Sustainable Development (WSSD), which was hosted in Johannesburg. The notion of providing a "combined view" on sustainability and financial information was well received. It is important to consider that at the time the reporting trend was NOT to have an integrated (combined) report, but rather separate publications, that were often released at different times of the year – showing limited coordination between the companies' financial and sustainability efforts. A primary driver for combining the financial and sustainability information was largely due to Eskom's aspiration for best practice in reporting. It just made sense to tell one view of the organizations' performance.

2. What are the main challenges in preparing such a report?

The main challenges associated with preparing an integrated report are attributed to the following:

- Process. The writing and editing of the report. However, this process has been streamlined significantly for our 2013 year with the introduction of an online/web based reporting solution.
- Data availability: The ability to timeously extract credible data that is responsive to the material issues. Some data points are not part of core business reporting and therefore need to be manually produced for the purposes of servicing the year-end IR.
- To demonstrate stakeholder responsiveness whilst considering the materiality of the issues at hand. This also has an impact on the ability to be clear and succinct in the report.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The GRI guidelines have not directly supported the ability to do an integrated report (per se), but rather the use of the Electric Utility Sector Supplement (EUSS) is used as a sounding board when applying our materiality checks for content development. The GRI guidelines (EUSS) does not drive the content development, but rather the other way round, where Eskom first prepares the report around the material issues and then checks and reflects on the inclusions and/or exclusion of some of the EUSS indicators in the content. It is important to note that Eskom took a decision not to try and report an A+ report as it was felt that the effort required, relative to the benefit, did not warrant the cause.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

The feedback has been very positive and it is anticipated that this format of reporting will become more prevalent. The main reason for this is due to the succinct nature that responds to investors' needs as well as other stakeholders are able to review the year-end report within a very short period of time. Integrated reporting as a concept is also not limited to the year-end report but rather continuously throughout the year. Therefore, it is Eskom's position to maintain an integrated reporting platform that can be updated during the course of the year with the material reporting items.

5. What is your recommendation for reporters starting this reporting journey?

Ensure there are appropriate governance structures in place to support IR. Eskom has constituted an official sub-committee of executive management, called the Integrated Reporting Steering Committee (IRSC). The IRSC is chaired by the finance

director with key individuals who have pertinent skills for integrated reporting and external expertise in an advisory/observer capacity. The IRSC is also supported by a number of working groups to facilitate all the relevant aspects of the broader integrated reporting activities, including inter alia stakeholder engagement and the auditing of the integrated report and related documents.

The IRSC has a mandate to ensure the alignment of integrated reporting best practice for current Eskom reporting and planning processes such as the corporate plan, business results, shareholder's report, integrated risk management and stakeholder engagement with the relevant external integrated reporting requirements.

Thereafter, "introspection" through conducting a gap analysis, to understand the business' material issues within the context of the various capitals. The interpretation of the business model within this guise supports internal dialogue on the material issue to disclose, but also elicits the business ability to respond to internal processes to improve business reporting and management of material issues.

Fuji Xerox (Hong Kong) Limited, Hong Kong

Published reports included in the research sample:

Sustainability Report 2010 (Application Level B+), *Sustainability Report 2011* (Application Level B+), *Sustainability Report 2012* (Application Level B+)

Name and function:

Canny Wong, Corporate Sustainability Executive

Years involved in corporate reporting:

3 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

We are totally committed to disclosing information that satisfies rising stakeholder and public demand for accountability and sound CSR. With everyone insisting on access to non-financial data, we are doing everything we can to further increase opportunities for dialogue in this area.

Our top management supported issuing the Sustainability Report.

2. What are the main challenges in preparing such a report?

Data/information collection from different parties is the main challenge in preparing Sustainability Report.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI can provide the list of required data and suggest how we can collect these data.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

It is difficult to achieve an "A" GRI grade since some of the data/information required are sensitive and difficult to gather.

5. What is your recommendation for reporters starting this reporting journey?

Consider what to report on (e.g. topics and indicators) by reference to Standard Disclosures.

Grupa LOTOS, Poland

Published reports included in the research sample:

Integrated Annual Report 2009 (Application Level A), *Integrated Annual Report 2010* (Application Level A), *Integrated Annual Report 2011* (Application Level A+)

Name and function:

Jowita Twardowska, CSR & Communication Director

Years involved in corporate reporting:

2 sustainability reports - for years 2006-07 and for 2008, Integrated reports from 2009

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

In the core of its management, Grupa LOTOS consistently takes into account Corporate Social Responsibility principles and criteria. Since 2008, the Company has had a CSR strategy in place, adopted by the Management Board. Its function is to support the effective pursuit of business objectives. At the same time, CSR is inherent in Grupa LOTOS' business strategy, its long-term development plans and mission. LOTOS follows a coherent vision for its operations, with equal consideration of their economic, social and environmental aspects. This approach has naturally lead to the implementation of integrated financial reporting. We conduct our economic operations in parallel with our non-financial activities, and both areas influence each other. Application of two separate financial and non-financial reporting systems would be in conflict with the uniform and coherent vision of our business. It would make it difficult for our stakeholders to assess the Company's plans and accomplishments in a complete manner and thus obtain a full picture of the Company's condition.

The Management Board of Grupa LOTOS decided to integrate the reporting system based on information on current trends in CSR reporting and the opinions of key stakeholders, including stock-market analysts (Grupa LOTOS is WSE-listed), on the previous reporting model applied at the Company.

2. What are the main challenges in preparing such a report?

When talking about major challenges, we think on several levels. The first is related to organization of the data aggregation and analysis process, when the possibility of using professional tools facilitating this (such as the XBRL standard) in a way suited to the company and its financial reporting system, is still limited. On the other hand, difficulties are posed by the extensive structure of a group operating in several countries and jurisdictions, as is the case with Grupa LOTOS.

The second level is of a strategic nature. The integrated reporting model requires in-depth analyses of a company's social and environmental performance in terms of measurable benefits for the company's business. This approach to non-financial data also has to be aligned to the monitoring of the implementation of the objectives described in the business strategy. In all, this is a challenge faced by a large number of companies, and not only in Poland. Since 2012, Grupa LOTOS has been monitoring its CSR strategy on equal terms with its business strategy. The results of these analyses are presented jointly in order to provide the management staff with complete, unified management information. This approach allows for better assessment of all the risks and threats to the Company's plans and for improved management of key areas of the Company's impact on its surroundings.

The social aspect of reporting is also a significant factor – both with regards to a company's employees and its environment. Grupa LOTOS began following the GRI guidelines from the G2 version. In its most recent report, the Company applied the G3.1 version, due to the introduction of the Sector Supplement in 2012. Although we keep track of the IIRC recommendations, there is still no internationally recognized model for integrated reporting. The evolution of the non-financial reporting system poses a challenge and some difficulty for the Company's employees in charge of data analysis (over 40 employees). The process is also not fully understood by the Company's environment - Companies and experts are still required to take a number of educational activities designed to raise stakeholders' knowledge and prepare them to derive the benefits from this type of reporting.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The GRI standard for non-financial reporting and the work aimed to establish the integrated reporting model, initiated by the GRI in 2010, were the key drivers behind Grupa LOTOS' application of its current reporting model. So far, we have followed the GRI guidelines in reporting data for the years 2006-2012. This perspective is now sufficient to assess the benefits of applying the GRI-recommended approach to non-financial data reporting. The experience we gained from doing so was also the main reason behind the integration of the two independent models of financial and non-financial reporting previously in place at the Company.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

The first Integrated Annual Report of Grupa LOTOS was published in the first half of 2010, that is, before the IIRC commenced its work. Grupa LOTOS was the first company in Poland to attempt to integrate its reporting, thus most of our key stakeholders were unfamiliar with the issue. Over the last three years, we have made a lot of effort to analyze how the new reporting model has been received. Reader surveys we have conducted show that the reports are well received and attract significant interest. The online version of the 2011 report has had over 20,000 hits.

Our in-house analyses also confirm that the report serves as a useful source of information for the Company's employees (33.8%). Importantly, it is used by two groups of stakeholders playing a highly important role in the assessment of the Company's performance – stock exchange investors and trading partners (12.5% of each group).

Assessment of previous Grupa LOTOS annual reports

Scoring on a five-point scale (1 – lowest, 5 – highest).

Assessment criteria	Internal stakeholders - average score	External stakeholders - average score
Was the information useful?	4.27	4.22
Was the language comprehensible?	4.53	4.33
Was the ratio of positive and negative information well balanced?	4.03	3.78
Was the report visually attractive?	4.44	4.44

Information about the activities of Grupa LOTOS expected by readers of annual reports

Scoring on a five-point scale (1 - least expected, 5 – most expected).

Information category	Internal stakeholders - average score	External stakeholders - average score
Information about the impact of climate change on the Company's operations	3.00	3.78
Information about the situation of the Company's employees	3.86	3.44
Information about feedback from the local community and their needs in the Company's location	3.63	4.33
Information about the Company's relationships with its suppliers and subcontractors	3.75	4.33
Information about the effectiveness and efficiency of the Company's social and environmental activities	4.00	4.44
Information about the social and environmental risks inherent in the Company's operations	3.92	4.22
Information about the Company's financial standing and business prospects	4.71	4.33
Information about the measures adopted by the Company to ensure the involvement of its stakeholders, and the outcomes of such measures	3.77	4.22
Information about the Company's response to the needs of its clients	4.19	4.44

Feedback from our stakeholders is one of the arguments for the continuous improvement of the financial and non-financial reporting model adopted by the Company.

5. What is your recommendation for reporters starting this reporting journey?

The most frequently raised concerns regarding the reporting include:

- The lack of theoretical preparation of the heads of companies and their insufficient knowledge on the issue, prompting assessment of the reporting model in terms of the need to incur excessive expense,
- Insufficient knowledge of the management benefits stemming from the improvement of the reporting, and
- An incorrect approach towards information disclosure, resulting in non-transparent information policies.

Addressing these concerns is a key challenge for companies considering implementation of both financial and non-financial reporting. Therefore, we primarily recommend broadening knowledge by drawing upon the experience of organizations with a longer track record in reporting, and fostering best practices to achieve the highest possible level of understanding for implementation of CSR reporting among key stakeholder groups. It is also worth entering into dialogue with stakeholders to learn their expectations in the area of information disclosure. If a report is to serve as a useful and effective communication tool, the expectations of its main recipients may not be overlooked. This also refers to companies' employees, who should be the prime supporters of the process, which usually proves difficult to achieve without the necessary education in this area.

Inditex, Spain

Published reports included in the research sample:

Annual Report 2009 (Application Level A+),
Annual Report 2010 (Application Level A+), *Annual Report 2011* (Application Level A+)

Name and function:

Inditex CSR Department

Years involved in corporate reporting:

More than 10

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Inditex published its first Sustainability Report in 2002 and the company has, since then, developed and adjusted its reporting with the aim of rendering material and transparent information to its stakeholders. From 2006 the company started to publish

a single report that included financial and non-financial information. Inditex' reports are now taking the next step and gearing towards an integrated reporting, seeking to provide a clear image of how the company creates value.

The decision was made by the top management of the company, which has always considered sustainability as the cornerstone of the company's business model.

2. What are the main challenges in preparing such a report?

Integrating financial and non-financial information can be challenging in terms of measuring non-financial data. In order to produce a reliable, balanced report, EGS information is treated with the same rigor as financial information. Inditex has developed and implemented internal processes and protocols to collate and analyze this information.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

Inditex has followed the GRI Guidelines since its first Sustainability Report in 2002. In this sense, Inditex has, since then, based its reporting on the GRI principles of materiality, stakeholder inclusiveness, sustainability context, and completeness. The application of these principles has been instrumental to focus and prepare the report. Additionally, the guidelines have helped to structure the reporting process and to ensure that, despite the new concept and format, the report included all relevant information.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Stakeholders' views are carefully considered by Inditex when creating its strategy and communicating it. Through Inditex continuous dialogue with stakeholders, Inditex is aware of their growing interest and concern not only for business decisions and information but also for social, environmental and governance issues. Therefore, stakeholders have very positively valued the inclusion and integration of non-financial information into the company's reporting. The positive assessment of the 2011 Annual Report from agencies and ratings, such as the Dow Jones Sustainability Index, illustrates this fact.

5. What is your recommendation for reporters starting this reporting journey?

As a first step when facing the elaboration of an integrated report it is necessary to break any information silos and obtain a 360° view of how the company creates value over time. Once this is done, it is very important to focus and define which

issues are material for the company and hence should be reported.

Munich Airport, Germany

Published reports included in the research sample:

Sustainability Report 2009 (Application Level A), *Sustainability and Annual Report 2010* (A+), *Annual Report 2011* (Application Level A+)

Name and function:

Dr. Monica Streck, Director Strategic Sustainability Management at Munich Airport

Years involved in corporate reporting:

5 years - first sustainability report 2008, since 2010 integrated reporting

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

We thought about combining both reporting instruments right from the start. Since we have the issues of sustainability fully integrated into our strategy it was just a logical consequence to describe our business in a holistic way, using just one reporting instrument. The final decision was made by our sustainability board.

2. What are the main challenges in preparing such a report?

Our main challenge was and still is to interlock both reporting processes more closely. The discussion about how to do this is very helpful in defusing "silo thinking". This also helps to push a cultural change, because there are a lot of positive effects such as finding synergies between departments, having higher internal attention paid to sustainability or finding long-term cost savings.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

Combining both reports, we followed the storyline of sustainability reporting. Reporting along the GRI Guidelines helped us right from the start to answer the question: what is needed to become/be a sustainable company.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

The feedback from our stakeholders was very positive. Analyzing the answers of our questionnaire we found that the content (including sustainability issues) as well as the extent (about 180 pages) was seen as adequate and very informative.

5. What is your recommendation for reporters starting this reporting journey?

Firstly you should think about how to include sustainability into your strategy and also into your business model. Doing this you already start with an integrated mindset. Since reporting is a transparent description of your business, you have a very good starting point for your "journey".

National Australia Bank, Australia

Published reports included in the research sample:

Annual Review 2010 (Application level A+), *Annual Review 2011* (Application level A+), *Annual Review 2012* (Application level A+)

Name and function:

Lauren Owens, Corporate Responsibility Performance Manager, CR Strategy

Years involved in corporate reporting:

NAB has produced a corporate responsibility report since 2004.

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

At NAB we have been fortunate in that our various reporting teams have always worked very closely together under our Annual Reporting Committee. In 2009 we were producing our Shareholder Review and CR Review and working to ensure that they contained consistent messages and that performance data was cross linked.

As we were finalizing our 2009 reports, the Committee began to discuss an integrated report being a better way to tell a complete story of who we are and how we were performing.

In 2010 we began researching trends and best practice in integrated reporting and engaged PwC to help us develop a story board in line with some initial thinking by Accounting for Sustainability in the UK.

We published our first integrated report at the end of 2010.

In 2011 we continued to monitor the work of Accounting for Sustainability and the newly established International Integrated Reporting Council.

In mid-July 2011 we agreed to become a member of the IIRC's integrated reporting pilot to give us greater access to the discussions that are being held at an international level on the future of non-financial disclosure requirements and integrated reporting.

We published our second integrated report at the end of 2011 and our latest Annual Review in line with the draft IIRC framework in November 2012.

2. What are the main challenges in preparing such a report?

NAB's Board and senior management have been supportive of further integration in NAB's reporting, but remain conscious of the need to ensure that integrated reporting does in fact simplify, rather than complicate reporting, in an already heavily regulated environment.

It is also important that any integrated report is a document that directors and management are able to sign off on with the necessary degree of comfort, and is one that is truly valued by its intended audience. NAB continues to rely on its stakeholder engagement program to ensure that the content of the integrated report is relevant to our audience.

By encouraging companies to disclose information that focuses on strategy and performance it also potentially exposes companies to the disclosure of commercially prejudicial information – particularly on less sophisticated 'non-financial measures'.

It also raises potential regulatory concerns because the information reported by directors may not, for various reasons, be IFRS compliant and confront issues relating to the ASIC Regulatory Guide on non-IFRS reporting.

There are also challenges in the assurance of non-financial information and in the application of materiality in the preparation of the report.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI reporting has provided guidance on the ESG metrics to be included in our Dig Deeper papers, but to a lesser extent the information contained within our Annual Review.

The format and content of the Annual Review is guided by our cross-functional steering committee and has focused on ensure that our report clearly articulates the linkages between our strategy, governance and performance (financial and non-financial).

Through our integrated reporting journey we have brought together reporting silos within our organization to produce a single story together where our finance team have cast a 'relevancy' lens over our ESG metrics, and our corporate responsibility team have engaged in conversations with our

strategy team about how we can better articulate the role that sustainability plays in our business strategy.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

We talk directly to our stakeholders about our annual reporting suite and feedback on our approach to integrated reporting has only been positive to date. It is essential for many of our stakeholders that we continue to publish our Dig Deeper papers in addition to our Annual Review, to enable more detailed analysis of our ESG performance.

5. What is your recommendation for reporters starting this reporting journey?

Start first with internal engagement and dialogue on how ESG helps to drive a company's strategy and performance over the short to long term. The value of integrated reporting is the opportunity it presents in accelerating closer integration of reporting functions across an organization.

From our perspective, this process has provided an opportunity to review, at a Group level, the information that is produced and reported for relevance/materiality, commerciality, consistency and accuracy. This is important for many of our stakeholders, not least of all our investors. Closer integration of reporting functions across the Group also enables us to reduce complexity and identify process simplification opportunities.

Others 'hints and tips':

- Get buy in from across the organization. For NAB, the oversight of the Annual Reporting Steering Committee is a critical forum for discussion and debate about the direction and content of the Annual Review. This forum has been central to our success, and particularly in a large organization, is essential in bringing together reporting silos and ensuring that the Review has the support of senior management and the Board before the final review stages.
- Get endorsement from the top
- Connect with other companies producing integrated reports
- Connect with the IIRC or become part of the pilot program
- Get started – its only growing so the sooner you can get in and start testing new ways of reporting, the better chance you will have to approach IR in a proactive, rather than reactive way.

Natura, Brazil

Published reports included in the research sample:

Annual Report 2009 (Application Level A+), *Natura Report 2010* (Application Level A+), *Natura Report #11* (Application Level A+)

Name and function:

Jaqueline Nichi, Corporate Communication Coordinator

Years involved in corporate reporting:

2 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Since 2002, Natura reports its financial, environmental and social results in the same report. Before that, our report was done in two separate documents. This decision was made in conjunction with the team that took care of social responsibility and financial issues, as well as the board that coordinates this work until now, and to which I work for, the directory of Corporate Affairs. The main goal was to in fact create mechanisms to report in a triple bottom line view, such as integrating the three dimensions of projects and results. We believe that since the Natura is reporting according to GRI (today we are rated as A+ GRI version 3.1) – and the company was the first one in Latin America to do it, in 2000, as well as the IIRC for integrated reporting, we have learned a lot. Natura participates in the forums and discussions of GRI and IIRC as we have two representatives on the Board at each of these institutions.

2. What are the main challenges in preparing such a report?

The main challenge today is technical. We believe that technology (IT) may help us to integrate better the results of the entire company, streamline the process and reduce the time of production of the Annual Report. We have also evaluated as a point of attention for improvement the engagement of the employees. For instance, how we could make them realize the importance of not only having an integrated report, but thinking strategically this way in its management. The report ends up being just the result of this triple bottom line management which we believe is the most appropriate and is something that was born with Natura 43 years ago, since its foundation.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

Every year we see a great evolution in the reporting process. The GRI guidelines have been really widening our comprehension on all aspects of the company, from work

security to diversity. It allow us to systematize a process of thinking in advance, including about possible solutions and opportunities and enable the analysis of risks involved in each theme. Another incentive came through integration between areas that previously could not see its impact in each other. Since we are dealing with the reporting process, it is possible to understand the real dynamics of the relationship in the company, both from professionals and process and it is quite interesting and helpful. Collaborative work is another great incentive that GRI provides.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Over the past two years, Natura bet in a different format, more friendly and easy to read, so that, we decided to develop, according to our stakeholders opinion and suggestions as well, a report much like a magazine, both in format and in language. The advantage of this change, which also was accompanied by a new website as we understand the importance of spreading information in various languages and channels (and printed reports will become increasingly less common), is that we can access different stakeholders. Nowadays, annual reports do not affect only shareholders, but opinion leaders of various profiles and cultures and it is very rich for Natura as it became a very qualitative way to communicate and being in touch with our different stakeholders. We believe it also encourage them to be well informed about sustainability.

5. What is your recommendation for reporters starting this reporting journey?

Natura believes that transparency with stakeholders and good governance are essential in its management. The Annual Report only confirms this, as the differential of the company has always been to convey the clearest possible way our highlights, but also our lowlights, with the recognition that we are always learning and trying to improve our processes. We know this is a long and continuous path to all corporations, but for those who do not have this premise, we strongly recommend that you begin to think in a systematic way about their business and its impacts, as there is a massive interconnection of relationships, people, processes, that should result in outcomes not only for the company but for all involved and, above all, to the society. Natura believes strongly that companies also have an important social role and its business is beyond costs and profits.

Novo Nordisk, Denmark

Published reports included in the research sample:

Annual Report 2009 (Application Level A+),
Annual Report 2010 (Application Level A+), *Annual Report 2011*
(Application Level A+)

Name and function:

Bjørn von Würden, Programme Manager in the Corporate Sustainability department

Years involved in corporate reporting:

5 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

As the company has written into its bylaws that we focus on the triple bottom line performance (financial, environment and social) it was seen as a natural step to report on these three dimensions of performance in one integrated report in 2004. The decision was made by the Board of Directors.

2. What are the main challenges in preparing such a report?

Balancing the three dimensions in a limited space (116 pages)

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The GRI guidelines might to a limited extent have assisted the development of the integrated report in the 2004, but since then the GRI guidelines has not relevant for our annual report.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

The company believes in the triple bottom line and the need to report on all three dimensions. However, some stakeholders might see less reporting on issues that seem less material in an integrated reporting framework. We do our outmost to reach these stakeholders through direct engagement or via other communication outlets such as the corporate website, brochures, social media, etc.

5. What is your recommendation for reporters starting this reporting journey?

Focus on what is material for the company.

Schiphol Group, Netherlands

Published reports included in the research sample:

Annual Report 2009 (Application Level B+),
Annual Report 2010 (Application Level B+), *Annual Report 2011*
(Application Level B+)

Name and function:

Denise Pronk, CR Adviser

Years involved in corporate reporting:

5 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Since the Annual Report 2009 we publish one single report for financial and non-financial information. This means no separate sustainability report. We experienced that the Global Reporting Initiative Guidelines and the financial guidelines did not give enough guidance to make a balanced and really integrated report. Participating in the IIRC helps us with that challenge. Besides this, the annual report is an important communication tool and we want to be a frontrunner in this specific area. Our CFO made the decision to combine both annual reports.

2. What are the main challenges in preparing such a report?

Writers and readers had to have an open mind to interpret the information in this new way. Integrated thinking effects all management processes and even investment decisions. Our aim is to integrate the 'people planet profit balance' in the business planning. But this is a big change (and a big challenge!) and difficult to realize. To obtain this goal will cost several years and we need buy-in from the top continuously.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

We did not use the GRI reporting process when combining the two reports. We published our first integrated report in 2012: Annual Report 2011. This report is based on the IIRC framework concept. We believe that our annual report that is based on the IIRC framework concept gives the reader a more complete, relevant and coherent story than before.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

All relevant and material information is available in one report and the reader does not have to switch between a financial annual report and a sustainability report. An integrated report is easier to read because it is more narrative than traditional annual reports.

5. What is your recommendation for reporters starting this reporting journey?

Commitment from the top is crucial, but also involvement of multiple disciplines and heads of several business and corporate staff units, including the corporate strategy unit. It is a complex and difficult journey to prepare a combined report and even more to publish an integrated report. But make a start. The reporter will gain ideas and insights in how the next report can be even more integrated.

Southwest Airlines, USA

Published reports included in the research sample:

2009 One Report (Application Level C+), *2010 One Report* (Application Level B+), *2011 One Report* (Application Level B+)

Name and function:

Marilee McInnis, Senior Manager of Community Relations & Giving

Years involved in corporate reporting:

Unknown

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

We combined the reporting for a variety of reasons, primarily for efficiency. We were expending a lot of resources creating two reports and our CEO challenged us to find a better way. An integrated report was the answer.

2. What are the main challenges in preparing such a report?

The main challenges to an integrated report are getting buy-in from various groups, fixing the data gaps, and determining what to report so you don't have a report that is a thousand pages! The other challenge of the report – not necessarily in preparing it – is that it provides a window into your Company's triple bottom line and helps you see what needs to be measured, captured, and recorded.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

The GRI has given a framework for the report, has helped us follow a roadmap on what to include – the GRI framework is particularly helpful when just starting out. It also has been helpful in starting the conversations about what is truly material to us as a Company and an industry.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Our various stakeholders appreciate the consolidation of the information and the complete picture of the Company.

5. What is your recommendation for reporters starting this reporting journey?

Form a cross-functional Company Team, gain buy-in from all levels, start small and aim to improve each year!

Statoil, Norway

Published reports included in the research sample:

Annual and Sustainability Report 2009 (Application Level A+), *Annual and Sustainability Report 2010* (Application Level A+), *Annual and Sustainability Report 2011* (Application Level A+)

Name and function:

Hilde Røed, Principal Consultant Corporate Sustainability

Years involved in corporate reporting:

3-4 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Because sustainability is an integrated part of our business, not a stand-alone endeavor. The final decision was made by the top management.

2. What are the main challenges in preparing such a report?

The very extensive GRI reporting framework is not well suited for integrated reporting, as the reports simply become too voluminous and detailed.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI is helpful in terms of standardizing topics and indicators. At the same time, the onerous management disclosure requirements and very detailed breakdown of performance indicators are not well adapted to annual reporting. Integrated reporting would benefit from drawing upon a limited set of key performance indicators, and the GRI framework should allow disclosures of management approach to present in detail elsewhere.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Positive, although most stakeholders would appreciate a shorter report more focused on performance, and less on management disclosures.

5. What is your recommendation for reporters starting this reporting journey?

To select a limited set of key indicators, rather than covering the entire GRI reporting requirements in this report. To use other formats as supplements.

Swiss Post, Switzerland

Published reports included in the research sample:

Annual Report 2009 (Application Level undeclared), *Annual Report 2010* (Application Level B+), *Annual Report 2011* (Application Level B+)

Name and function:

Corinne Santschi-Vogelsang, Project Leader

Years involved in corporate reporting:

Unknown

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

We did that as long as we publish an annual report, the members of the board of directors

2. What are the main challenges in preparing such a report?

There are many business units and persons involved in decision findings and it is not always easy to find a solution which suits all demands

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI is the only standard known

4. What has been the feedback from the organization's stakeholders to this new reporting format?

None

5. What is your recommendation for reporters starting this reporting journey?

None

Syngenta, Switzerland

Published reports included in the research sample:

Annual Review 2009 (Application Level B+), *Annual Review 2010* (Application Level A+), *Annual Review 2011* (Application Level A+)

Name and function:

Marina Prada, Senior Corporate Responsibility Manager

Years involved in corporate reporting:

Unknown

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Syngenta started to combine its reporting in 2008 as a consequence of its new strategy (see here: <http://www.syngenta.com/global/corporate/en/about-syngenta/Pages/Strategy.aspx>). Syngenta realized that its ambition to grow more from less and its contribution to food security were integrated in everything what Syngenta does. At that point, Syngenta did not see any difference between corporate responsibility and its business activities anymore. Syngenta had an integrated strategy and an integrated report would better suit the organization. It was a natural evolution which resulted from the company's strategy and not necessarily from a conscious decision of having an integrated report.

2. What are the main challenges in preparing such a report?

We are still working on fostering integrating thinking and integrating reporting into everything we do. Some of our challenges are:

- Materiality of externally reported information: how to find the right balance between including what is really material to our business and industry and reporting a vast range of topics and indicators because it seems common practice. The company would like to report what really matters but we find it challenging to address the reporting expectations of all stakeholders
- Reporting on Syngenta's contribution: how to move from reporting input/output measures to reporting impact measures.
- Difference between non-financial and financial data in terms of data quality, timing of data collection and maturity of systems and processes.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

Syngenta's reporting approach and report structure was driven by its strategy and the communication needs associated with it. GRI provides a holistic view on external stakeholders' expectations.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

Syngenta has received positive feedback from the investor community and some NGOs with which the company works closely.

5. What is your recommendation for reporters starting this reporting journey?

If there is integrated thinking in your organization and sustainability is part of your company strategy, then a move towards integrating reporting will be just a natural and logical development.

Wärtsilä Corporation, Finland

Published reports included in the research sample:

Annual Report 2009 (Application Level A+),
Annual Report 2010 (Application Level A+), *Annual Report 2011*
(Application Level A+)

Name and function:

Marko Vainikka, Corporate Relations and Sustainability

Years involved in corporate reporting:

13 years

1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?

Sustainability plays such an important role in our business that it was seen necessary to integrate reporting with financial reporting in order to avoid overlapping and focus on most significant issues. Wärtsilä Board of Management made the decision.

2. What are the main challenges in preparing such a report?

Finding the right balance. Combined reporting includes such a many different aspects and it serves many stakeholders. The reported data and statements should have a clear balance with financial and business related information. The GRI guidelines requires so many details which might be difficult to combine with financial reporting in balanced way. E.g. CEO statement and risk management.

3. To what degree has the GRI reporting process helped your organization to prepare such a report?

GRI of course provides the contents for sustainability reporting, but unfortunately it does not give significant guidance for integrated reporting. The number of details and different indicators needs to be reduced in integrated reporting.

4. What has been the feedback from the organization's stakeholders to this new reporting format?

I believe that silence (lack of criticisms) indicates that we have been able to satisfy the information needs of our stakeholders.

5. What is your recommendation for reporters starting this reporting journey?

Really finding the core messages and right balance between financial and non-financial issues. Unfortunately the current guidelines do not help in this respect.

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Amy Pawlicki, Director, Business Reporting, Assurance and Advisory Services, AICPA

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Project supervision

General supervision

Nelmara Arbex, GRI

Ásthildur Hjaltadóttir, GRI

Project coordination

Satu Brandt, GRI

Research analysis

Judy Kuszewski, Shine

Yasmin Crowther

Text revision

Fiona Lake

Layout

Tuuli Sauren,

INSPIRIT International Communications,

The Sustainable Design and Promotion Group, Brussels, Belgium

Cover photograph

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GLOBAL REPORTING INITIATIVE

PO Box 10039

1001 EA Amsterdam

The Netherlands

Telephone: +31(0) 20 531 00 00

Facsimile: +31(0) 20 531 00 31

www.globalreporting.org