



Integrated reporting: an urgent need and opportunity for transformation

Meeting stakeholder demands today, while driving financial and non-financial information connectivity to unlock future value

By Mark Hoffman

The evolving expectations and opportunities in today's business ecosystem

Integrated reporting is a broad approach to corporate reporting that not only addresses stakeholders demands today, but also creates a foundation for future standards in an evolving corporate reporting landscape. In today's business ecosystem there is a disconnect between what companies are disclosing, what investors expect in order to make informed decisions, and what broader stakeholder groups expect.

With the mosaic of corporate disclosures and information, it can be difficult to discern the full scope of factors that explain a company's value drivers and performance as well as its outlook on how it plans to build long-term success.

The changing landscape coupled with new global reporting standards on the horizon has heightened the sense of urgency to implement holistic reporting solutions. Across industries and

sectors, there is an ongoing shift to integrate and embed Environmental, Social, and Governance (ESG) goals and performance into mainstream reporting.

The piecemeal and siloed reporting conundrum

The many mandatory and voluntary disclosures that organizations are providing today have evolved into piecemeal reports, focusing on individual corporate issues that address climate change, diversity, and other ESG-related matters. The result is a lack of broad and holistic understanding of an organization's strategy, business model, risks and opportunities, and performance against its strategic objectives and governance practices. This form of disconnect in performance and disclosures can leave investors and broader stakeholder groups with more questions about the organization than answers.

A path forward: embrace integrated thinking

The paradigm shift in corporate reporting expectations has created pressure on companies to think about the resiliency of their business models and integration of non-financial and financial considerations into their core strategies in a way they have never done before. By taking this approach, organizations are adopting integrated thinking—a concept that refers to the connectivity and interdependencies between a range of factors, such as corporate purpose, the business model, strategies, risks, and market opportunities—that can essentially affect an organization’s ability to create long-term value for its stakeholders.

In response to integrated thinking, many organizations are seeking ways to build in reporting agility for the future and in turn are adopting integrated reporting—which is grounded by the Integrated Reporting Framework. The “Framework” is jointly supported by the IFRS Foundation’s International Accounting Standards Board (IASB) and International Sustainability Standards Board (ISSB) through the consolidation process of the Value Reporting Foundation—and both have taken responsibility for the Integrated Reporting Framework in August 2022. One key benefit to integrated reporting is its adaptability as global reporting standards and regulations continue to evolve.

Integrated reporting is supported by various principles and concepts however, the goal is universal: to accurately and concisely communicate the essence of why an organization exists (purpose) and how it creates, preserves, or erodes sustainable value for itself and for its stakeholders over time.

While there is no specific formula or template to measuring and interpreting value, every organization will have its own unique approach to creating long-term value. Once an approach and value creation model is established, it will serve as a blueprint for the organization in how to effectively communicate the strategy, purpose, business model, risks and opportunities, and performance against the strategic objectives and in the context of how the organization creates value for its investors and broader stakeholder groups.

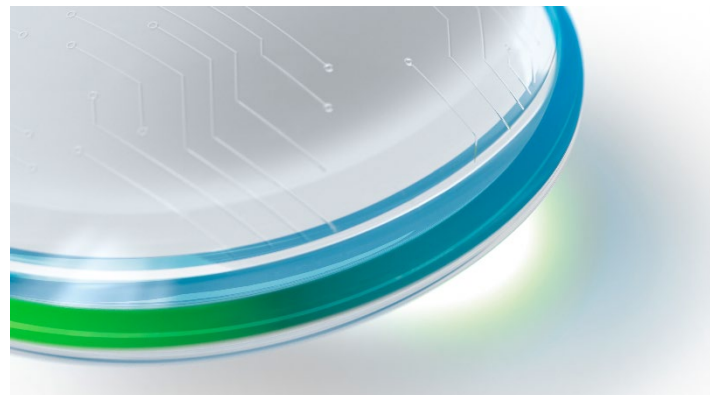
Not only can developing an integrated report be more effective, driving greater impact and quality, but it can also significantly improve internal and external reporting efficiencies.

Integrated reporting as a solution to your corporate reporting needs

- Integrated reporting offers **principles-based guidance** for internal and external reporting structure and content and includes both financial and non-financial value-drivers.
- A **process** founded on **integrated thinking**, which is based on integrated decision making and actions that combined, effect the value creation of an organization.
- **An integrated report** explains to providers of financial capital how an organization creates, preserves, or erodes value over time, which is the foundation upon which investors and broader stakeholder groups make informed capital allocation decisions.
- It offers a **powerful tool** that can move the organization away from siloed thinking and reporting and toward integrated thinking, planning, performance, and value management.

The benefits and outcomes of adopting an integrated report as part of your corporate reporting system:

- Serves as a foundation for corporate reporting that is **universal and enduring**.
- Provides **coherent and cohesive** messaging across all aspects of an organization’s narrative.
- Provides management with **deeper insight** into the impact of decisions and business activities, such as what activities drive value creation and which ones do not.
- Broadens and deepens **stakeholder understanding** of how management makes decisions, invests capital, and measures performance.

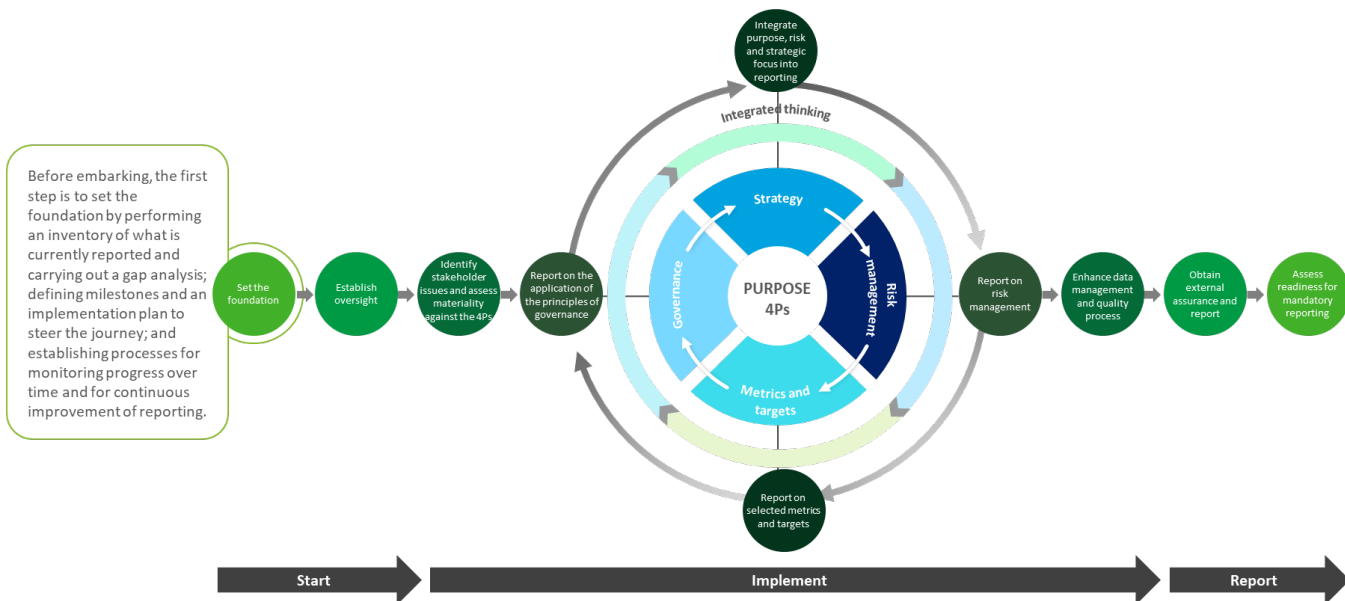


A confluence of events is driving urgent action

There has been a tremendous movement globally in the last several months to coalesce around a set of global ESG reporting standards that will both serve organizations going forward and that also align very well with integrated reporting expectations. Historically, many organizations would apply the Value Reporting Foundation’s (VRF) “Integrated Reporting Framework” (the Framework) and “Integrated Thinking Principles” (the “Principles”) when it came to preparing an integrated report. In May 2022, as progress was made on the consolidation of the

Value Reporting Foundation (VRF) into the IFRS Foundation, an announcement was made regarding plans for the Framework and Principle’s future role and governance—while recognizing that ISSB standards are still in development. Most notably, the IASB, and the ISSB will work together to utilize principles and concepts from the Framework in their standard-setting work and a role in a corporate reporting framework. The announcement marks a long-term, shared commitment towards incorporating principles and concepts from the current Integrated Reporting Framework into the standard setting projects and requirements.

Every journey needs a map. To that end, we have set out a roadmap that highlights both integrated thinking (embedding considerations of planet, people, and prosperity into a company’s governance, strategy, risk management, and metrics and targets) and integrated reporting (a journey to authentic reporting on purpose and the 4Ps). Our roadmap reflects that the reporting journey is an iterative process, requiring a multi-year approach, regular evaluation, and modifications to enhance both thinking and reporting.



The core of this framework incorporates the four considerations identified by the World Economic Forum International Business Council’s (WEF-IBC) project on stakeholder capitalism: principles of governance, planet, people, and prosperity (the 4Ps).[i]

[i] World Economic Forum (prepared in collaboration with Deloitte, EY, KPMG, and PwC), [Measuring Stakeholder Capitalism: Towards Common Metrics and Consistent Reporting of Sustainable Value Creation](#), September 2020.

A deliberate approach to integrated reporting

Where do you start?

Even before the maturity assessment, begin by embedding integrated thinking and reporting into your organization's strategy. Embrace the philosophy and process to better understand where your organization can benefit in creating an integrated reporting roadmap for your organization.

What's next?

Assessing your organization's level of corporate reporting maturity and objectives to align your integrated reporting implementation plan. Being deliberate with your approach to integrated reporting will help propel your organization to navigate the ever-changing corporate reporting landscape.

Other initiatives include the recent formation of the ISSB, regional policy initiatives such as the EU Corporate Sustainability Reporting Directive (EU CSRD), and the Securities Exchange Commission's (SEC) Proposed Rule on Climate Disclosures. Finally, the UK made it mandatory for Britain's listed companies to disclose their climate-related risks and opportunities in line with the Task Force on Climate-Related Financial Disclosures (TCFD).

The adoption of subject matter specific reporting standards while fit for direct purpose, can create siloed and disparate reporting on different subject matters. The adoption of integrated reporting is

universal and creates a foundation that can integrate the multi-dimensional corporate reporting standards around one value creation strategy of the organization. As organizations are required to disclose on a range of ESG themes by law or regulation, integrated reporting provides a framework that allows for more coherent adoption of multiple specific standards, including mandated disclosures.

The integrated reporting maturity assessment

As organizations can start from different points, it is important to first determine where they fall within the broad spectrum of corporate reporting maturity.

- **First time adoption:** An organization looking to adopt ESG and integrated reporting to help ensure that a holistic and integrated approach to reporting is implemented internally and externally.
- **Enhanced reporting:** As an organization, you have adopted and implemented some level of integrated thinking and reporting, but are looking to enhance strategic, operational and financial considerations as part of the value creation model. This will support an integrated strategy and focus the organization on what really matters.
- **Optimizing current state:** As an organization, integrated thinking and reporting are underway but you are looking to optimize processes, systems, and assurance around reporting including alignment and streamlining of internal and external reporting.

How can Deloitte help?

Deloitte understands the complexity of preparing an integrated report and brings together experienced leaders in finance

and accounting, sustainability, risk, and communications, and investor relations to share knowledge and offer a step-by-step guide or implementation support along the integrated reporting journey.

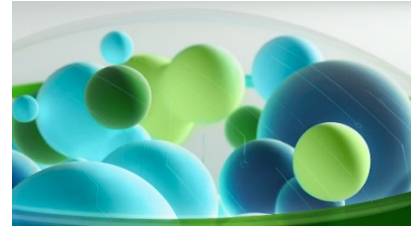
Examples of how we can help include:

- Advise on disclosure strategy including structure, outline and content of the integrated report.
- Perform a materiality assessment to identify, prioritize, and engage stakeholders on materiality matters.
- Analyze, implement, and provide advice and recommendations focused on control environments to support the development of an integrated report including, internal change management, data management processes, and advising on opportunities to streamline processes.
- Assist with the selection and implementation of enabling IT technology to support evolving data collection and reporting needs.
- Provide assurance readiness support—analyze, evaluate, and provide recommendations on the integrated reporting processes, data management, and controls.

More broadly, Deloitte offers solutions around risk management, strategy, performance metrics and targets, governance reporting, and assurance needs.

Contact:

At Deloitte, we are driven by a desire to make an impact that matters and contribute to better financial reporting ecosystems that goes beyond the expected. We are ready to help you apply, enhance, optimize, and assure that your integrated corporate reporting needs are realized.



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