



Corporate Reporting: Enhancing Transparency and Value

From the Non-Financial Information
(NFI) Directive
to Integrated Reporting <IR>

Opening and welcome



**Olivier Boutellis-Taft,
Federation of European
Accountants, CEO**

Keynote



**Paul Druckman,
International Integrated
Reporting Council , CEO**

Corporate Reporting: Enhancing Transparency and Value
From the Non-Financial Information Directive to
Integrated Reporting

<IR> as “a step ahead” for business

Paul Druckman, Chief Executive Officer,
International Integrated Reporting Council



In the last 7 days



CalPERS - GLOBAL GOVERNANCE PRINCIPLES

Updated: March 16, 2015

Principle 7.5 reads: The board should provide an integrated report that puts historical performance into context, and portrays the risks, opportunities and prospects for the company in the future, helping shareholders understand a company's strategic objectives and its progress towards meeting them

<https://www.calpers.ca.gov/docs/forms-publications/global-principles-corporate-governance.pdf>



GE Integrated Summary report

Quote from Jeff Immelt, Chair & CEO

“Public company reporting has become so complicated that what matters to investors can get lost. Our priority is to provide meaningful information that all investors can readily access. For investors to make investment and voting decisions, we don’t believe that more information is necessarily better. Instead, we’ve challenged ourselves to provide better information. Over the past several years, we have already been enhancing our reporting in response to feedback from investors, and they have told us how much they like it. This year, we are taking it even further.”

www.ge.com/ar2015/integrated-report March 2016 released:



HM Treasury

- calls for Integrated Reporting!

"This sees the restructuring of the traditional “front half” annual report and “back half” financial statements into three more integrated reporting requirements based on performance, accountability and financial statements."

"The previous requirement for a standalone Sustainability Report within annual report and accounts has now been removed. Instead, organisations are strongly encouraged to demonstrate through integrated reporting, how sustainability is an essential characteristic within the strategic objectives, operations and policy making, the risks to these and how the risks are being managed. Additional context should be given to explain the areas of focus of sustainability and those which are the most material to the organisation. This seeks to reduce the focus of meeting onerous disclosure requirements rather than embedding sustainable development in the organisation's operations"

"There is no prescribed proforma for reporting – organisations should develop their own format to fit their business but are reminded that integrated reporting is strongly encouraged. "

Public sector annual reports: sustainability reporting guidance 2015-16 - March 2016

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/512663/PU1935_Public_sector_ARA_sustainability_guidance_2015-16.pdf

"We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation. Additionally, because boards have a critical role to play in strategic planning, we believe CEOs should explicitly affirm that their boards have reviewed those plans. BlackRock's corporate governance team, in their engagement with companies, will be looking for this framework and board review."

Larry Fink, CEO, BlackRock

"Efforts by the International Integrated Reporting Council to develop a framework for reporting value creation seem very much in-line with what Mr Fink is suggesting."

Sandra Peters, Head of Global Financial Reporting Policy, CFA Institute

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February 10, 2018 11:49 pm

Investors too need to be more rigorous

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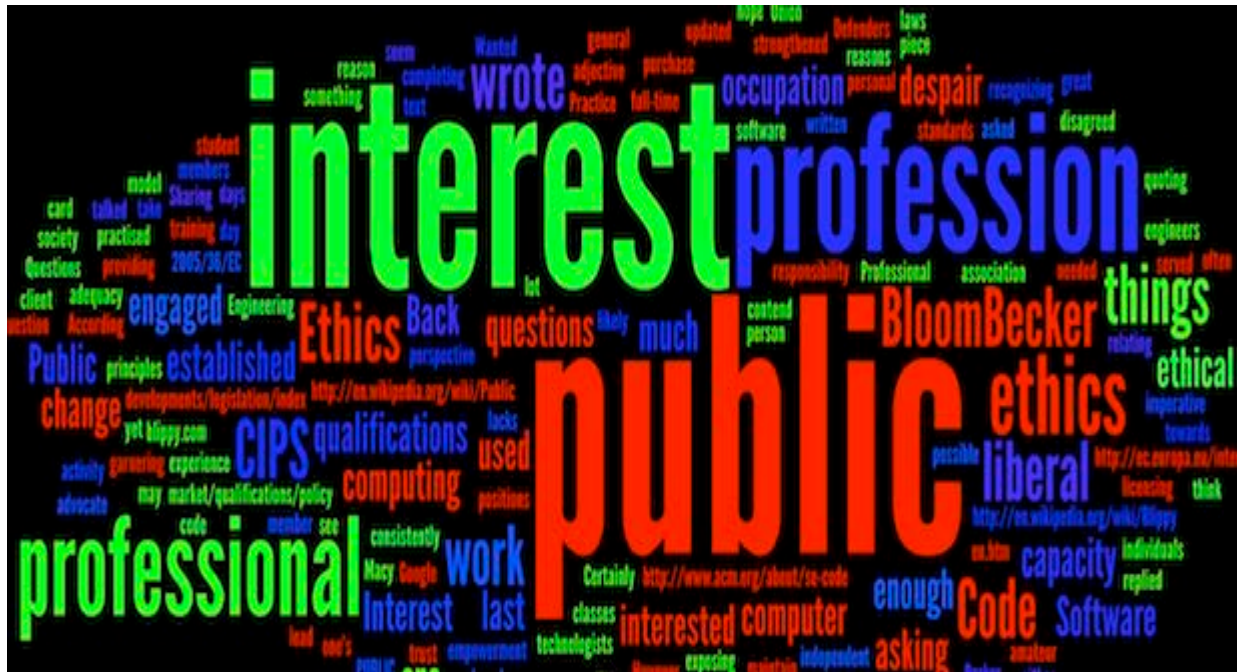
Sir, Your report "Schroders urges banks to focus on long-termism" (February 3) highlights the recent push towards long-termism in Europe and recent discussions by large US institutional investors regarding best practices to encourage companies to adopt a longer-term focus. While we laud Larry Fink and other investors for their efforts to encourage greater long-term investment, we believe that the criticism levelled by Schroders' Jessica Ground about the "short-term noise" created by quarterly earnings misses the target somewhat.

Attempts to eliminate quarterly reporting — as has recently been accomplished in the UK — are a distraction to the more important issues Mr Fink describes in his letter. Moving from 90- to 180-day reporting cycles is not going to advance long-termism in any meaningful regard. More important, as Mr Fink rightly points out, are companies' public disclosures of long-term strategic objectives and periodic reporting on progress toward those objectives. This is a more effective means of communicating value creation to investors.

Efforts by the International Integrated Reporting Council to develop a framework for reporting value creation seem very much in line with what Mr Fink is suggesting. We have encouraged accounting standard-setters and policymakers globally to think more broadly about reporting on strategic objectives as well

Sign up now

First FT





A call to action

- strategic, serious and valued communication
- fit withinstrategy of the business
...change in behaviour
- start on the <IR> journey



Keynote



**Erik Nooteboom,
European Commission,
Head of Unit Accounting and
Financial Reporting**

Keynote



**Richard Howitt,
Member of the
European Parliament**

Q&A Session



**Wim Bartels,
Federation of European
Accountants, Member of ESG
Reporting Task Force**

Coffee Break

15:40 – 15:50

Next generation corporate reporting

Hilde Blomme



Mark Vaessen



Jyoti Banerjee



Chris Zerlaut



Massimo Romano





Fédération des Experts-comptables Européens
Federation of European Accountants



Corporate Reporting: Enhancing transparency and value

Mark Vaessen

Chair FEE Corporate Reporting Policy Group

Structure of the Cogito Paper

- Introductory Section and 4 chapters
 1. Growing Audience
 2. Content: Financial and Non-financial reporting
 3. Core and More
 4. Approach to Policy Making and Innovation
- Focus on TECHNOLOGY as driver and enabler of change

Future of Corporate Reporting and



- Need for debate and experimentation
 - Is there agreement on the issues to be solved?
 - If yes, who should own the agenda?
- <IR> is the most developed and promising initiative
- <IR> could become the CORE report

Chapter 4: Policy Making and Innovation

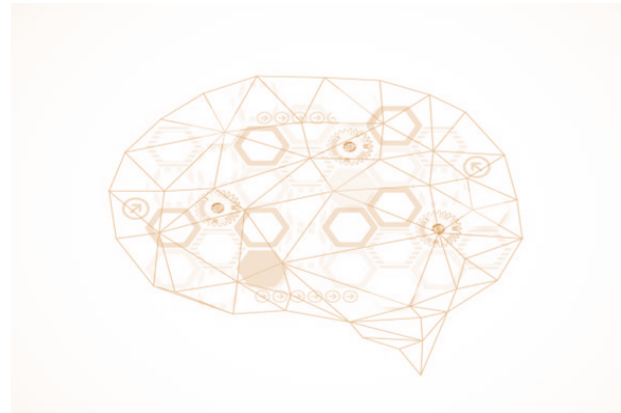
- Allow parallel experimental reporting
- Change the compliance approach and remove barriers
- Stakeholder coordination with policy makers and standard setters
- Use of Technology to stimulate innovation



Technology (IT) as driver and enabler for change

- At the heart of change
- Enables lively presentation
- Focus on relevant and material information
- Enhances readability on screen
- Enhances calculations, storage, processes, connectivity, cross-checking, references...

Join the debate



- Discussion paper <http://bit.ly/15futurecorprep>
- FEE welcomes responses by 30 June 2016
- For updates, follow [#FutureCorporateReporting](https://twitter.com/FutureCorporateReporting)
- Join our LinkedIn group
<https://www.linkedin.com/groups/8417453>

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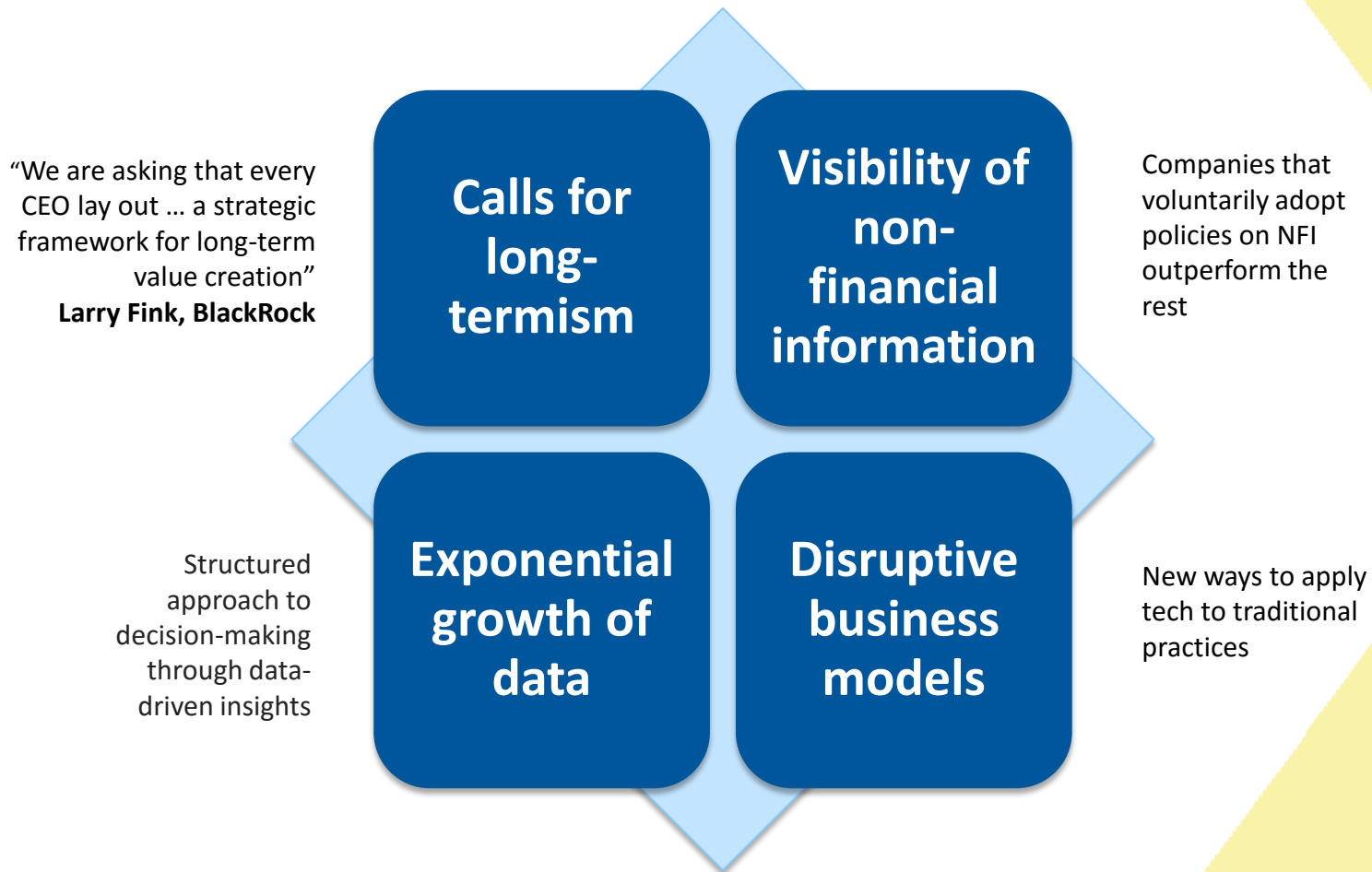


Technology Blueprint for <IR> Adoption

Corporate Reporting: Enhancing
Transparency and Value

Jyoti Banerjee
International Integrated Reporting Council
@jyotib

Four major developments in the global business environment



Despite increasing data availability, CEOs say they lack the information they need to support their decision-making



Key challenges and barriers across organisational layers

1) Source Ocean Tomo, Annual Study of Intangible Asset Market Value, <http://www.oceantomo.com/blog/2015/03-05-ocean-tomo-2015-intangible-asset-market-value/>

We need a single information architecture across the organisation.

<IR> unites strategic, operational, performance and disclosure information across multiple capitals and over time.

The integrated thinking conversation...

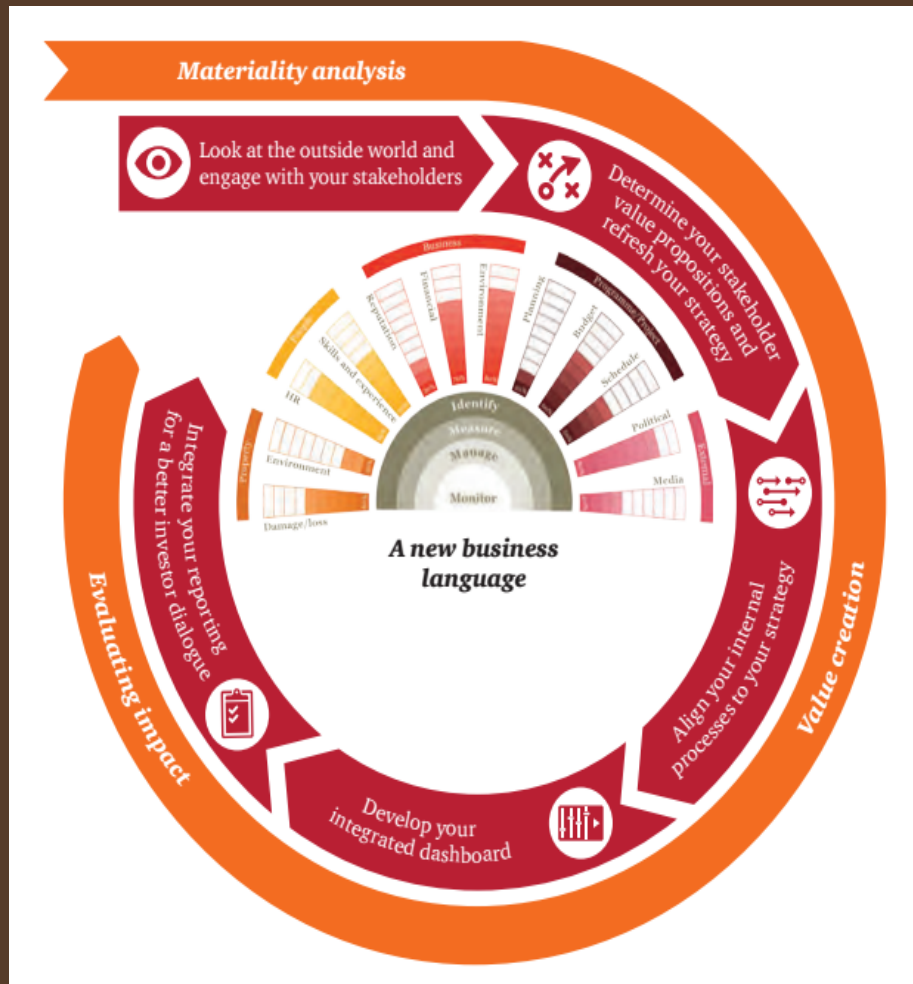
Do our information systems cover **all the information** we need to run our business?

Is our data **stuck in silos** obscuring connectivity that exists across the information landscape?

How can we **harness the power of big data** and improved disclosure before our investors and stakeholders do?



































What analytical tools can help us assess the **maturity and materiality** of the new information we need to track?

Steps in the <IR> journey









- Establish the approach to integrated thinking
- Operationalise the approach
- Disclose the approach


Connectivity and maturity analysis

		Source	Consolidation	Scope	Maturity	Connected to	
Integrated Management	1	Financial Capital KPIs Ex: EBIT	  	 			1 2 3 4 5 6
	2	Manufactured Capital KPIs Ex: Services backlog	 	 	 		1 2 3 4 5 6
	3	Human Capital KPIs Ex: Employee retention					1 2 3 4 5 6
	4	Intellectual Capital KPIs Ex: R&D investment	 		 		1 2 3 4 5 6
	5	Natural Capital KPIs Ex: CO2 emissions					1 2 3 4 5 6
	6	Social Capital KPIs Ex: Contribution to the local communities employment	 		 		1 2 3 4 5 6

Legend:

 IT Systems IT Systems Global

 Excel Manual Local

 Word (Qualitative)

NFI and <IR>

- Non-financial information: There is no such thing
- <IR> references multiple capitals for a reason - this is not just about non-financials
- Compliance burden: <IR> is a step ahead because it addresses the disconnect between external reporting and internal management practice
- The existing frameworks already offer the means to deal with the requirements of the NFI Directive

Thanks and contact info

— April 2016

— This presentation has been prepared by:

» **Jyoti Banerjee,**
project director,
International
Integrated Reporting
Council

• For further information on this presentation, or to provide feedback, please contact:

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Next generation corporate reporting

Hilde Blomme



Mark Vaessen



Jyoti Banerjee



Chris Zerlaut



Massimo Romano



Connecting non-financials and financials to drive economic performance

Establishing sustainability into operational steering

Chris Zerlaut

Director, Natural Resources & Sustainability Products, SAP

Our journey towards an Integrated Report



Integrated Reporting is our way to Integrated Thinking

Connectivity of non financial and financial performance is key

<IR> is a catalyst

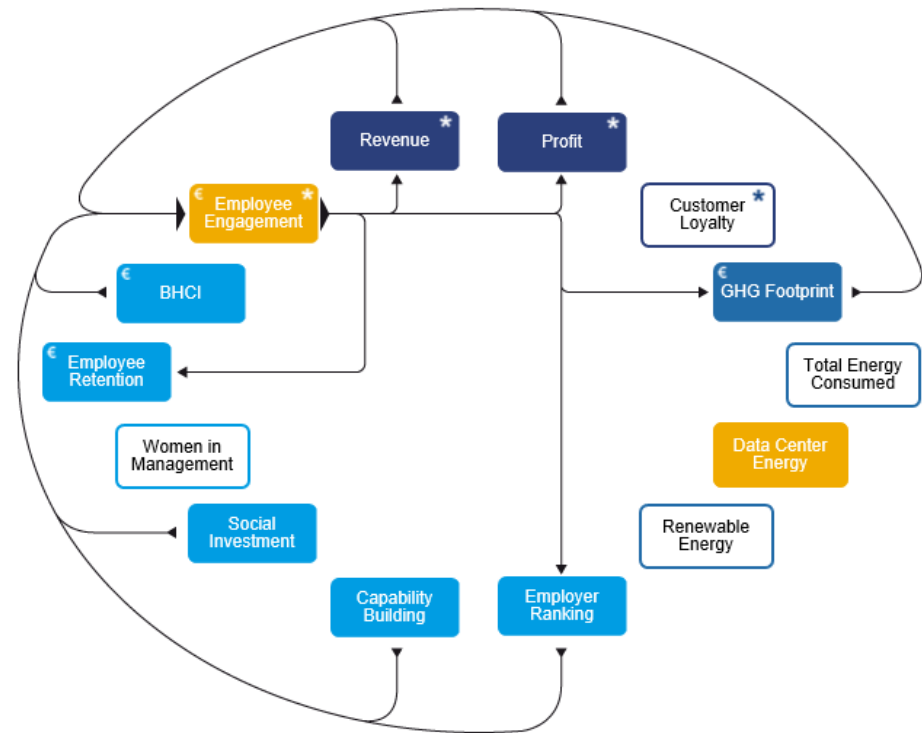
- First gain sustainability reporting experience
- Don't wait for "integrated thinking"
- Use <IR> for management engagement (CEO, Finance, HR)

Analyze the links between KPIs

- How do environmental, social, and financial KPIs relate?
- There's your business case!

More work than two reports

- Start early
- Lots of cross-departmental collaboration



* Our Corporate Objectives

€ Impact on Gross Profit

■ Economic Indicators

■ Social Indicators



■ Environmental Indicators

Evolving descriptive connectivity towards financial impact

We balanced expected output with associated efforts

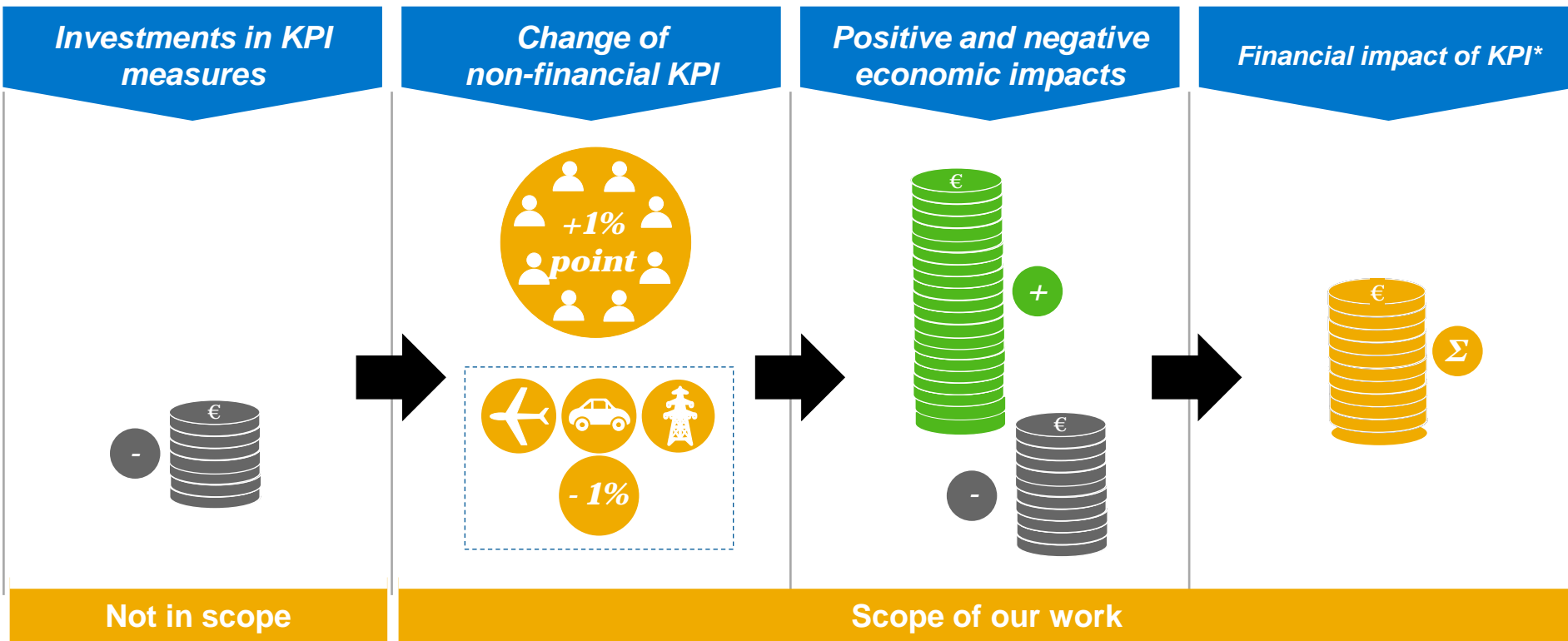
#	KPI	Clear Definition	Quantifiable?	Required effort & data research
1	Ecological Indicators	Yes	Yes due to clear and operational definition	Low/moderate Core data available
2	Employee Retention	Yes	Yes due to clear definition	Low/moderate Review & adjustment (if applicable)
3	Business Health Culture (BHCI)	Yes	Yes due to clear and operational definition	Moderate Core data available
4	Employee Engagement (EE)	Yes	Yes due to clear and operational definition	Moderate Core data available
5	Women in Management	Yes	Yes due to clear definition	High due to complex cause-effect relation
6	Employer Ranking	No	Difficult because information about candidates' attitudes seems hardly quantifiable	Very high due to behavioral impacts which mainly effects candidates
7	Capability Building	No	Difficult due to clear and operational definition	High due to definition deficiency
8	Social Investment	No	External effects quantifiable (e.g. iooi methodology), internal effects hardly quantifiable	Very high due to external impacts

Timeline

 =Focus
  =Out of scope in phase II

Initially we analyzed the impact on gross profit

Linking required investments to impact was out of scope



Our approach

- We used univariate linear regression results in order to model our pathway impacts.
- We considered latest non-IFRS figures from SAP's Integrated Report 2015 in our analyses.

*Under consideration of our work and scope: Financial impact means gross financial impact of a KPI change

Our non-financial performance impacts our gross profit

Based on SAP data we identified statistically significant connectivity

Employee Engagement

- 1%pt. up/down -> € 40 – 50 Mio

Business Health Culture Index

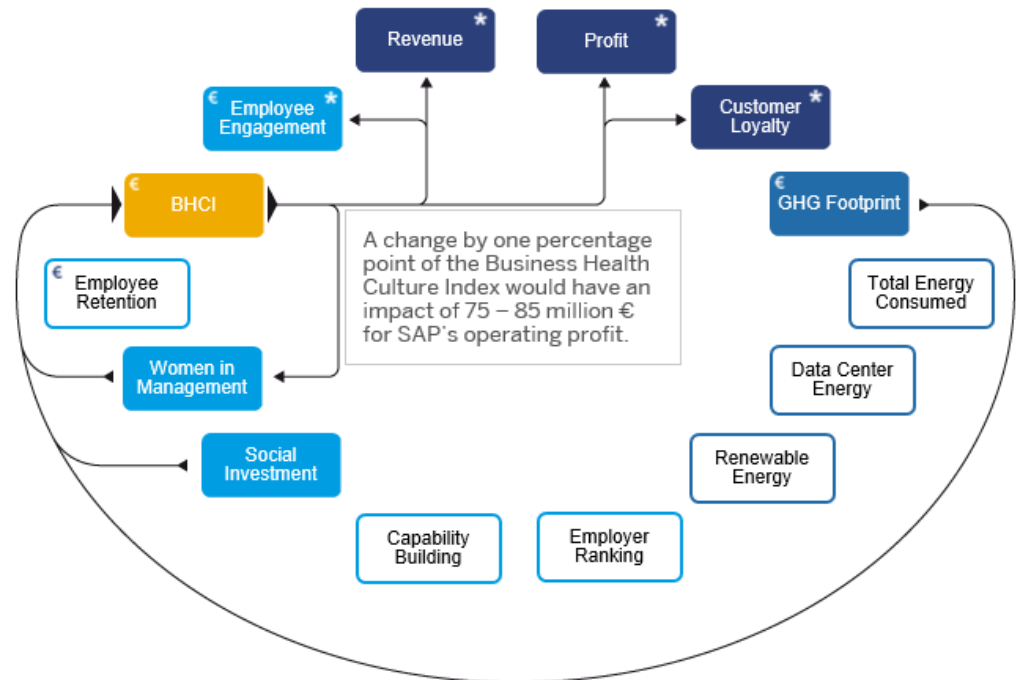
- 1%pt. up/down -> € 75 – 85 Mio

Employee Retention

- 1%pt. up/down -> € 45 – 55 Mio

Carbon Emissions

- 1% up/down -> € 4 Mio



★ Our corporate objectives

€ Impact on operating profit

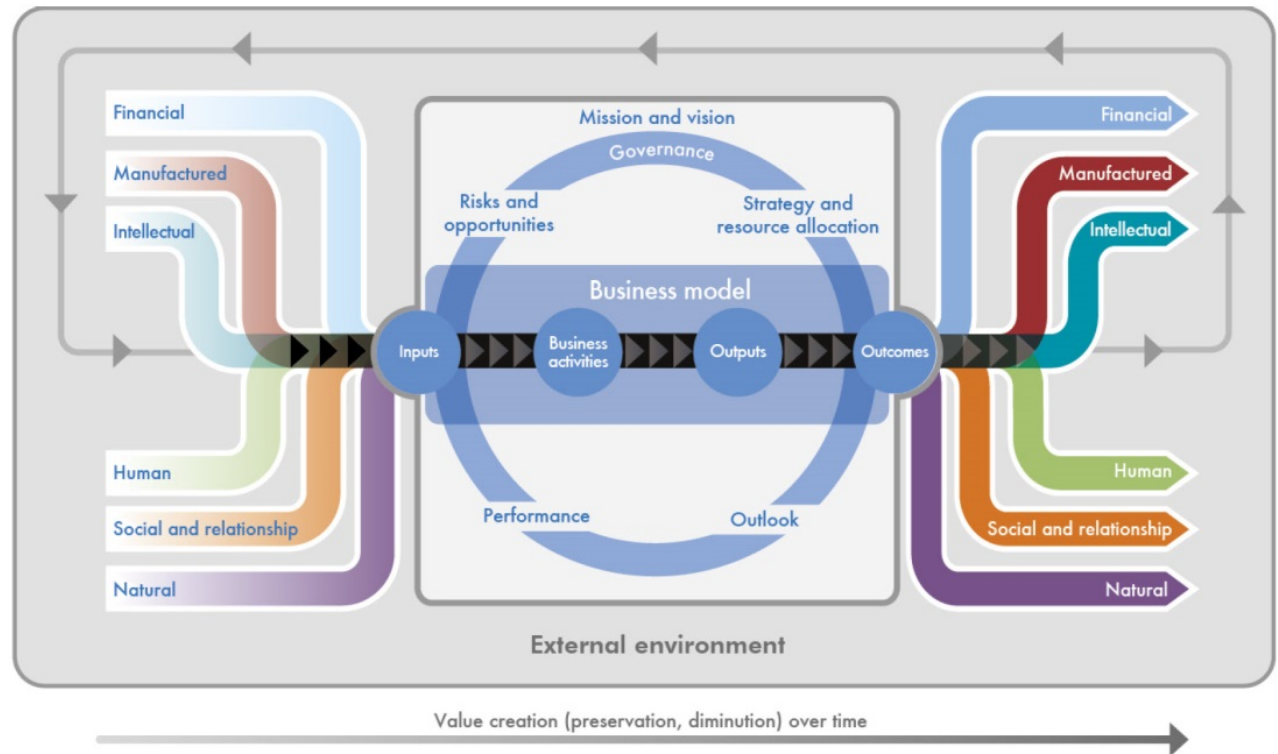
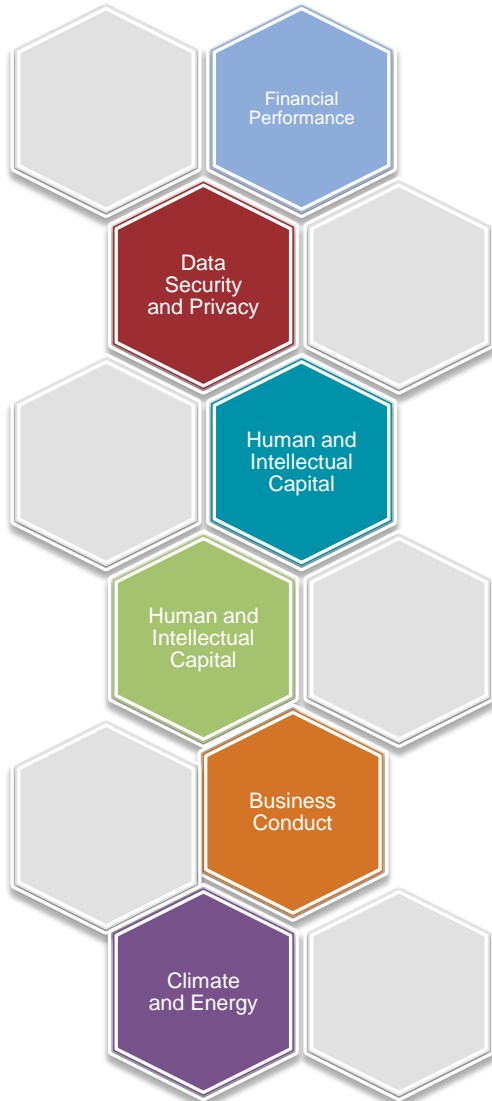
■ Economic indicators

■ Social indicators

■ Environmental indicators

SAP's material aspects linked to the IIRC externalities

Represents what is core to our company and business model



Source: IIRC

Transparency creates holistic steering

We make financial and non-financial connectivity tangible for everybody

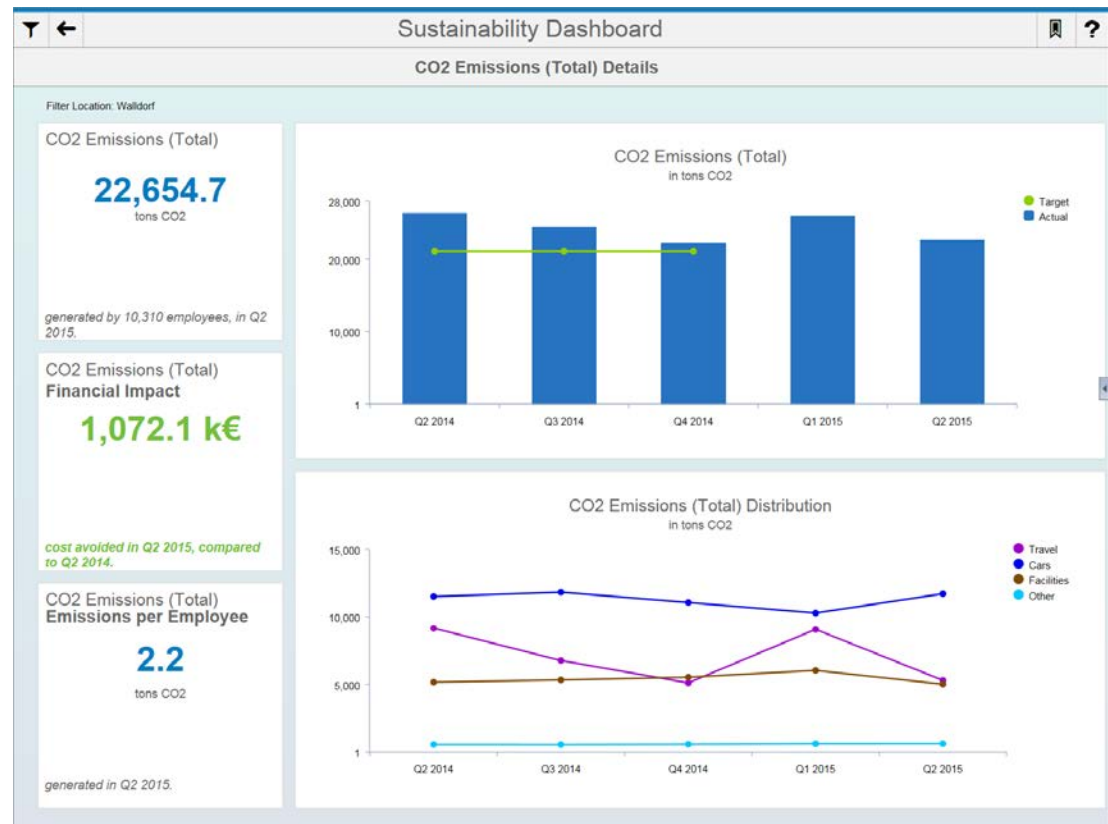
Provide transparency

- Provide material social and environmental KPI's
- Available to all employees
- Enable slice and dice

Connect financials and non-financials

Ensure data privacy

Establish governance for operational steering



Integrated Reporting catalyzes Integrated thinking

Making non-financial performance relevant for operational steering

Social and environmental performance were viewed separately from economic performance

Especially SAP's knowledge based business model is highly dependent on our healthy and engaged workforce

Monetization of non-financial performance will and has raised management awareness

Integrated operational steering requires transparency of integrated financial and non-financial performance

We receive excellent external feedback from investors and customers for our integrated approach

Implementing a Sustainable Strategy through <IR>

We establish sustainability into operational steering

No revolution

Catalyze, enhance, or complement existing business strategy

Evolve over time

Learn how to write good business cases

Ongoing engagement

Build strong engagement mechanisms

Make performance transparent and tangible

Over-communicate

“We also believe that the full measure of a great business is not just in its financial results, but also in its social responsibility. That’s why we include metrics like environmental impact and diversity alongside revenue and operating income – to give you the full picture of an ambitious, successful, and sustainable company.”

Bill McDermott, CEO, SAP SE SAP Integrated Report 2015





Thank you

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Generali Group

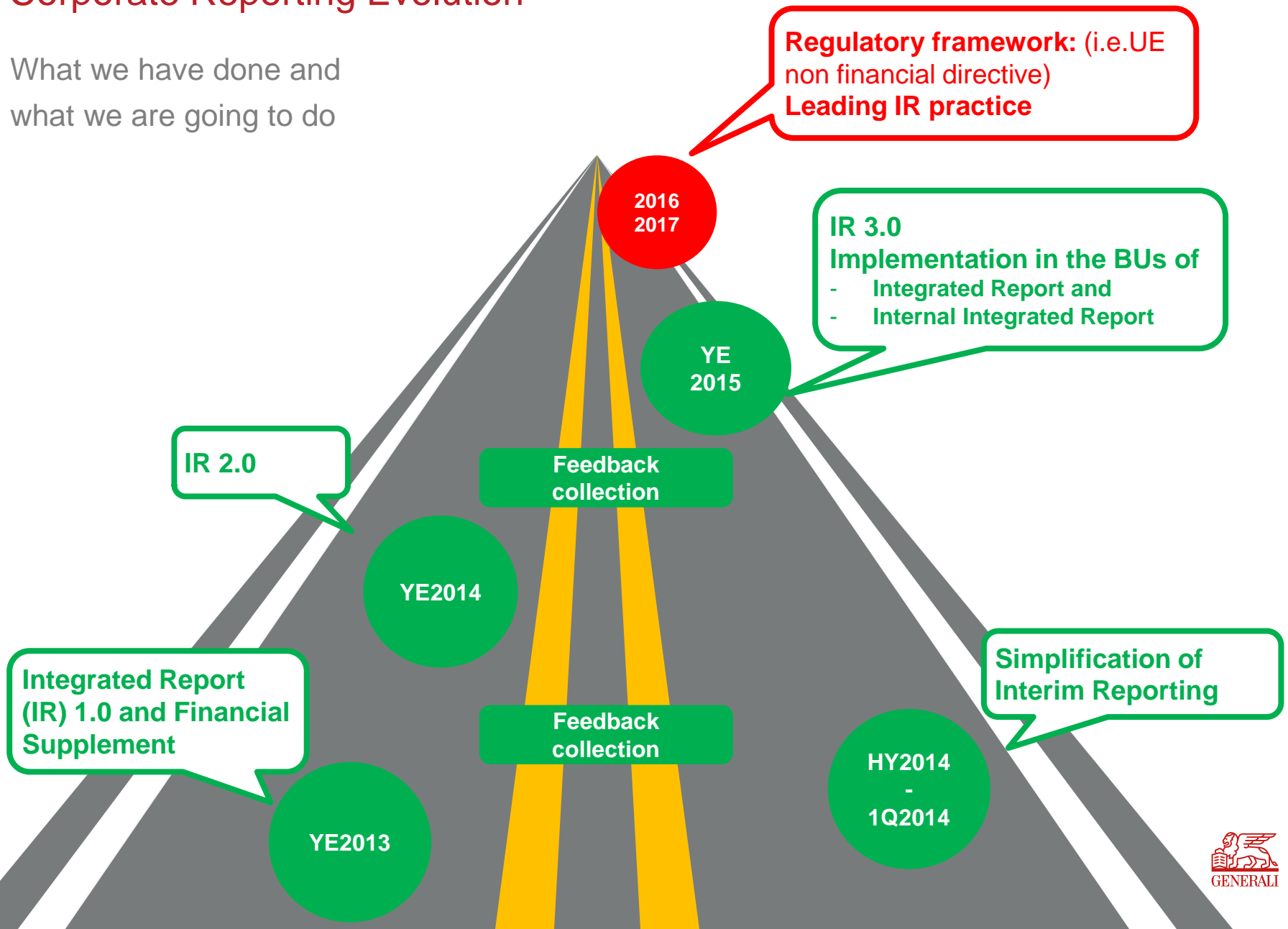
Corporate Reporting Evolution

Bruxelles, 6th April 2016

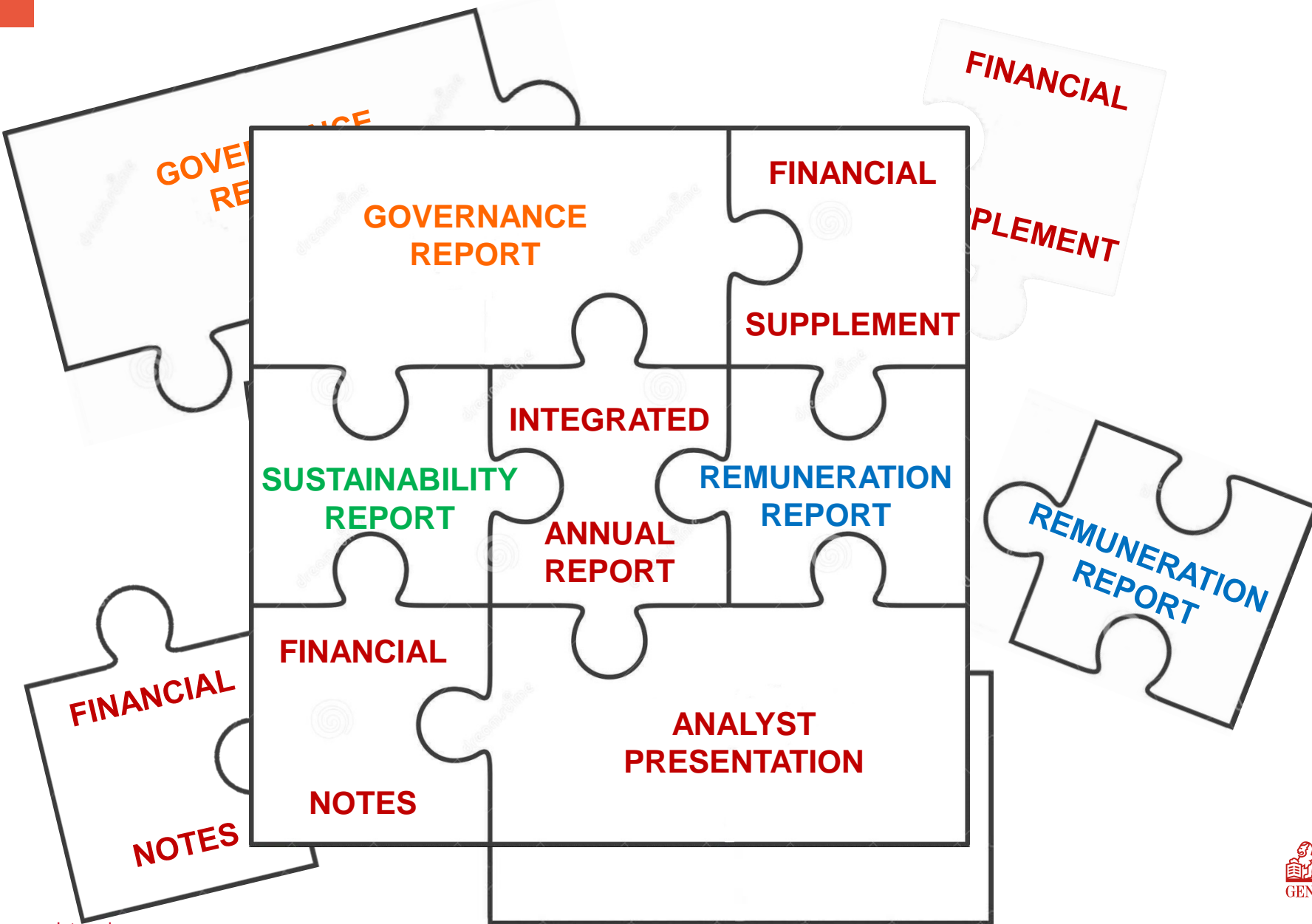
Massimo Romano
Head of Group Integrated Reporting & CFO Hub

Corporate Reporting Evolution

What we have done and
what we are going to do



Solving the puzzle of Corporate Reporting



Thank You.

Closing & thank you



**Olivier Boutellis-Taft,
Federation of European
Accountants, CEO**

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