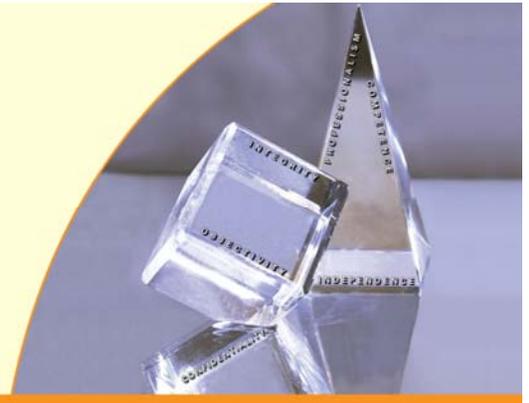




Federation of European Accountants
Fédération des Experts comptables Européens

Factsheet

Standing for trust and integrity



January 2011

Integrated Reporting

Debates and developments around the concept of integrated reporting are growing in importance.

What is meant by integrated reporting?

Integrated reporting is a holistic approach to enable investors and other stakeholders to understand how an organisation is really performing. Addressing the wider as well as longer-term consequences of decisions and actions, an integrated report makes clear the link between financial and non-financial value. The relationship between an organisation's strategy, governance and business model should be transparent through such reporting. It also gives an analysis of the impacts and interconnections of material opportunities, risks and performance across the value chain.

1. Integrated reporting key principles

Integrated reporting is aimed at responding to the need for concise, clear, consistent and comparable reporting; it integrates both material financial and non-financial information and is structured around the organisation's strategic objectives, its governance and business model.

The objectives for an integrated reporting framework are to:

- Support the information needs of long-term investors, by showing the broader and longer-term consequences of decision-making;
- Reflect the interconnections between environmental, social, governance and financial factors in decisions that affect long-term performance and condition, making clear the link between sustainability and economic value;
- Provide the necessary framework for environmental and social factors to be taken into account systematically in reporting and decision-making;
- Rebalance performance metrics away from an undue emphasis on short-term financial performance;
- Bring reporting closer to the information used by management to run the business on a day-to-day basis.

Integrated reporting is underpinned by the following principles:

- Strategically important and material – the core is to move away from compliance-driven metrics to an integrated report focussed on the relevant strategy of the organisation;
- Connectivity and linkage – information is not presented in isolation, particularly strategic issues around resource usage and emissions which impact the core of the business (its brand, products and services) and its long-term sustainability;
- Impacts along the value chain – when reporting on resource usage, emissions and human rights, the whole value chain of a business is taken into account;
- Time horizon – the integrated model incorporates a view of both past performance and those prospective events which provide insights into the changing dynamic of the industry and markets in which a business operates;

- Consistent with management information – the information reported should be a fair reflection of the management information used internally to run the business on a day to day basis;
- Trusted – the information reported should be capable of being verified;
- Flexible and able to evolve over time – the integrated reporting framework developed in a manner which will enable it to evolve over time as reporting practices change and mature;
- Behavioural change – an overarching principle of the integrated reporting framework is for it to act as a catalyst for behavioural change.

2. Integrated Reporting and the International Integrated Reporting Committee (IIRC)

In December 2009, Accounting for Sustainability (A4S) convened a high-level meeting of investors, standard setters (including both FASB and IASB), companies, accounting bodies and UN representatives, where it was agreed that A4S and the Global Reporting Initiative should work together with other organisations to establish an international body to oversee the creation of a generally accepted integrated reporting framework. The formation of the **International Integrated Reporting Committee (IIRC)** was formally announced in August 2010.

The role of the IIRC is to raise awareness, develop an integrated reporting framework, identify priority areas where additional work is needed, consider whether standards in this area should be voluntary or mandatory and promote the adoption of integrated reporting. The IIRC has set up three task forces considering content, governance and engagement & communications. It will develop proposals for an integrated reporting framework to be taken to the G20 meeting in November 2011.

The IIRC is chaired by Sir Michael Peat (Principal private secretary to HRH Prince of Wales) and includes a working group of 25 members, co-chaired by Paul Druckman (Chair of A4S executive board and of the FEE Sustainability Group) and Ian Ball (CEO of the International Federation of Accountants).

FEE and integrated reporting

FEE has set up a task force drawing on its expertise in financial reporting, corporate governance, sustainability, Small and Medium-sized Enterprises and Small and Medium-sized Practices and auditing. The Task Force analyses relevant developments, raises the profession's awareness and prepares FEE to contribute to these important developments.

Further information

Links

The website of the International Integrated Reporting Committee is available at <http://www.integratedreporting.org/>.

About FEE

FEE (Fédération des Experts-comptables Européens - Federation of European Accountants) represents 45 professional institutes of accountants and auditors from 33 European countries, including all 27 EU Member States.

In representing the profession, FEE recognises the public interest. FEE has a combined membership of more than 500.000 professional accountants working in different capacities in public practice, small and larger firms, business, public sector and education, who all contribute to a more efficient, transparent, and sustainable European economy.

To learn more about FEE and about the accountancy profession in Europe, read the FEE 2009 Annual Review, downloadable from our website (www.fee.be).

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