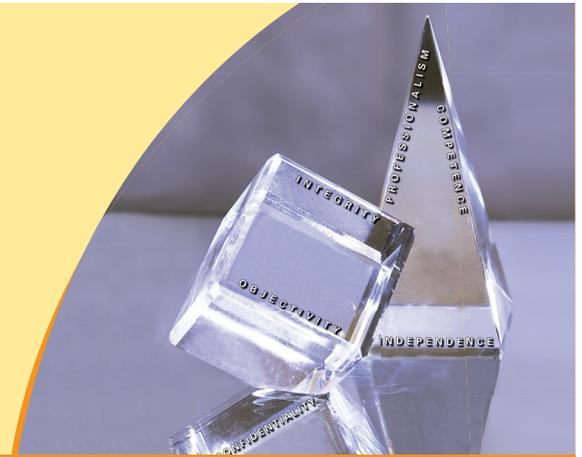




Federation of European Accountants
Fédération des Experts comptables Européens

Factsheet

Standing for trust and integrity



January 2012

Integrated Reporting - update

Integrated Reporting is seen as a major development in corporate reporting.

FEE issued a first [Factsheet on Integrated Reporting in January 2011](#), introducing the concept as an emerging approach to reporting by organisations. Since then debates and developments around integrated reporting have grown and will continue.

Integrated Reporting and the International Integrated Reporting Council (IIRC)

FEE highlights some of the steps behind integrated reporting and the International Integrated Reporting Council (IIRC):

- The IIRC has organised a series of [Roundtables](#) around the world aimed at enabling broad stakeholder participation in the development and adoption of an Integrated Reporting Framework.
- FEE hosted a European Roundtable on Integrated Reporting for the IIRC in June 2011. The event was attended by representatives of the business community, standards setters, NGOs and European Institutions. For more, [View](#).
- The [IIRC Discussion Paper, "Towards Integrated Reporting" – Communicating Value in the 21st Century](#) was launched in September 2011 for comment, as a prequel to a Public Consultation Draft for an Integrated Reporting Framework that is planned for release in 2012.
- The IIRC two-year [Pilot Programme](#) was launched in October 2011 and already 60 companies from across the globe and different sectors are participating to identify opportunities and challenges of integrated reporting. The Pilot Programme underpins the development of the Integrated Reporting Framework.
- [Paul Druckman](#) was appointed as CEO of the IIRC to represent and lead the work of Integrated Reporting.
- The IIRC is chaired by [Professor Mervyn King](#).

Integrated reporting – defined and how it is different

Integrated Reporting brings together the material information about an organisation's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organisation creates value, now and in the future.

With an objective to achieve better reporting and not more reporting, this new approach could serve as a platform for positive change in reporting, to demonstrate crucial impacts and interdependencies, and focussing on communicating what matters and not just on compliance.



How is Integrated Reporting Different?

There are various dimensions to integrated reporting that demonstrate how it differs from traditional reporting and the changes it can facilitate:

Thinking :



Because traditional reporting occurs in “silos,” it encourages thinking in “silos.” Integrated Reporting reflects and supports “integrated thinking” within organisations – monitoring, managing and communicating the full complexity of the value creation process and how this contributes to success over time.

Stewardship :



The concept of multiple capitals (e.g. financial, manufactured, human, intellectual, natural, social) that affect organisations over time is introduced in the context of how organisations create and sustain value. An Integrated Report displays an organisation’s stewardship of these capitals, their interdependence and how they contribute to success.

Focus :



Annual reporting at present is largely focused on past financial performance and financial risks. Other reports and communications may cover other resources and relationships, but they are seldom presented in a connected way, or linked to the organisation’s strategic objectives and its ability to create and sustain value in the future.

Timeframe :



Much of the media and regulatory attention in response to the global financial crisis has focused on “short-termism” as one contributory factor. Although short-term considerations are important in many ways, placing them in context is also essential. Integrated Reporting specifically factors in short-, medium- and long-term considerations.

Trust :



Financial reporting focuses primarily on a narrow series of mandated disclosures. Although an increasing number of organisations are improving their transparency, for example, through voluntary sustainability reporting, in absolute terms that number is still low. By emphasizing transparency, for example, covering a broader range of issues and disclosing the positive with the negative, Integrated Reporting helps to build trust.

Adaptive :



Today’s reporting is often said to be too compliance orientated, reducing the scope for organisations to exercise an appropriate amount of judgement. While a certain level of compliance orientation is necessary to ensure consistency and enable comparison, Integrated Reporting offers a principles-based approach that drives greater focus on factors that are material to particular sectors and organisations. It permits an organisation to disclose its unique situation in clear and understandable language.

Concise :



Long and complex reports are often impenetrable for many readers. A key objective for Integrated Reporting is to de-clutter the primary report so that it covers, concisely, only the most material information.

Technology enabled :



While the internet has revolutionised the way we do business and communicate, many corporate reports are still presented as if they were entirely paper based. Integrated Reporting takes advantage of new and emerging technologies, such as XBRL, to link information within the primary report and to facilitate access to further detail online where that is appropriate.

IIRC Next steps: planned actions include publishing an analysis of the responses received on the Discussion Paper in March 2012, developing a Public Consultation Draft for an Integrated Reporting Framework, launch an Investor network to support and test the findings of the two-year Pilot Programme, publish practical guidance arising from the findings of the <IR> Pilot Programme, working with others on emerging measurement and reporting practices, outreach, encouraging organisations to adopt and contribute to the evolution of Integrated Reporting, exploring opportunities for harmonising reporting requirements within and across jurisdictions and consultation regarding the governance of Integrated Reporting.

FEE main messages in its response to the IIRC Discussion Paper

Action is needed - FEE agrees that the time has come to streamline and improve corporate information based on what is needed to provide a balanced, complete and reliable view of performance as well as of organisations' impacts and interdependencies.

International approach for integrated reporting - There is a need for an international body to serve as a forum developing and advancing the international framework which can be reported on.

A vision needs to be developed of how integrated reporting will impact existing corporate reporting and its evolutions. Integrated reporting should also **be designed to simplify and harmonise the current reporting regime**. A framework should be **equally applicable to all organisations**, irrespective of their size and sector.

The accountancy profession can be instrumental in **contributing to the reliability** of the information reported.

When discussing the direction in which reporting needs to evolve, consideration needs to be given to how and whether to make the best use of technology.

Mandatory vs. voluntary - Further thought will need to be given as to whether (and when) integrated reporting should result in mandatory requirements or voluntary. At this point in time, integrated reporting should represent a voluntary approach. Before considering whether integrated reporting should become mandatory (or not), **policymakers and regulators, in particular European Institutions, have a key role to play** to support its development, facilitate a holistic approach, encourage its up-take and enable its application.

Next steps - FEE supports the use of the Pilot Programme to provide input to the development of a reporting framework. This will test the practical applicability of the proposals from the start, and also enable the identification of assurance issues, including the feasibility for obtaining assurance and at what level.

FEE looks forward to contributing to further consultations, including on the governance of the IIRC as an important element in the development process and in the next steps towards the creation of a framework and its adoption. For more, [View](#).





Further information

Links

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

IIRC contact: Superna Khosla, Relationships Director

For the work of the FEE Task Force on Integrated Reporting, [View](#).

About FEE

FEE (Fédération des Experts-comptables Européens – Federation of European Accountants) is an international non-profit organisation based in Brussels that represents 45 institutes of professional accountants and auditors from 33 European countries, including all of the 27 EU Member States.

FEE has a combined membership of more than 700.000 professional accountants, working in different capacities in public practice, small and big accountancy firms, businesses of all sizes, government 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 2010 Annual Review, downloadable from our website (www.fee.be).

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