THE EVOLUTION TO INTEGRATED REPORTING:
A Journey to the Next Stage of Corporate Reporting

Brad Monterio
Managing Director, Colcomgroup, Inc.
Board Member, Institute of Management Accountants

Liv Watson
Director, International Business Development,
WebFilings; Founder of XBRL
CORPORATE REPORTING

Critical for investor confidence
An essential element of corporate governance
Influences decisions and behavior of management
Influences decisions and behavior of shareholders and other stakeholders
Affects resource allocation (financial, natural and human resources) in society
Influences perceptions of the company’s customers, vendors, and employees
Shapes how a company sees itself and its role in society

Source: Prof. Robert Eccles, Harvard Business School
The Evolution of Corporate Reporting

- Financial Statements
- Management Reporting
- GRC Reporting
- CSR Reporting
- Sustainability Reporting
- Environmental Reporting
- Integrated Reporting
GOOGLE SEARCH

- Environmental Reporting: 65 Million
- Compliance Reporting: 60 million
- Financial Reporting: 38 Million
- Management Reporting: 32 million
- CSR Reporting: 21 million
- **Integrated Reporting**: 7 million
- Sustainability Reporting: 3 Million
- GRC Reporting: 2 million
“We’ve overspent our financial, environmental, social and governance ‘capital,’ and now the debt’s come due. Integrated Reporting is the starting point to help us repay that debt.”

Brad J. Monterio
“This is a very important initiative that draws together the key actors across financial, environmental and social reporting. The concept of integrated reporting is coming of age.”

Hans Hoogervorst, Chairman, IASB

“Integrated Reporting demonstrates the linkages between an organization’s strategy, governance and financial performance and the social, environmental and economic context within which it operates. By reinforcing these connections, Integrated Reporting can help business to take more sustainable decisions and enable investors and other stakeholders to understand how an organization is really performing.”

The IIRC (www.theIIRC.org)
INTEGRATED REPORTING

- Evolution
- Journey
- Challenges
- Missing Links
- Story
- Opportunities
- Economic value
A per year count of reports issued across all sectors and countries. (Last updated: 26 January 2012)
CSR REPORTING TRENDS

A per country count of reports issued across all industry sectors (top 20 countries worldwide). (Last updated: 26 January 2012)

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CSR REPORTING TRENDS

## CSR REPORTS WITH FORMAL ASSURANCE STATEMENT

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INTEGRATED REPORTING COMBINES...

FINANCIAL REPORTING WITH

- Sustainability Reporting
- ESG Reporting
- Corporate Social Responsibility Reporting
- Environmental Reporting
- Balanced Scorecards
- Triple Bottom Line
- Risk Reporting
- KPIs
- Business Excellence
WHY PRACTICE INTEGRATED REPORTING

- Shows commitment to being sustainable
- Helps integrate sustainability into strategy and operations for a better managed company
- Commitment to sustainability is good for shareholders
- Improves engagement with other stakeholders, especially employees and customers
- Improves reporting transparency
- Simplifies external reporting
- Positions company as leader and innovator
WHY PRACTICE INTEGRATED REPORTING

- Improves relationship with investment community
- Enhances access to capital
- Strengthens relationships within communities through stakeholder engagement
- Improves reputation and strengthens brand
- Meets compliance/regulatory needs
CHALLENGES TO INTEGRATED REPORTING

- “Closing the non-financial books” on time
- Required level of inter-functional coordination
- Deciding on appropriate level of detail
- Deciding what’s material or not
- Lack of agreed-upon standards and audit (vs. assurance) methodologies
- Poor understanding of the relationship between financial and non-financial performance
- Getting the attention of investors for non-financial information
MISSING LINKS

- Standardization
- Comparability
- Materiality
- Complexity
- Stakeholder engagement
- Assurance
- Trust
OPPORTUNITIES

- Tell your story your way
- (re)Build trust
- Grow economic value
- Restore the balance
- Improve transparency
- Manage entire supply chain
- Mitigate reputation risk
- Save money
- Build long term value
- Attract capital
HOW TO SPEED ADOPTION?

- Missing links need to be connected
- Companies must take responsibility to act
- Innovation by many constituencies is necessary
- Support from investment community vital
- Standards essential – XBRL is part of it; must be global
- Legislation and regulation will ultimately be required
- Support from civil society will encourage others to act
Thursday, November 18th, 2010

Statement Calls for Policies to Unlock the Vast Potential of Low-Carbon Markets and Avoid Economic Devastation Caused by Climate Change

(London) - The world’s largest global investors have a powerful message for climate negotiators in Cancún and all national governments: Take action now in the fight against global warming or risk economic disruptions far more severe than the recent financial crisis.

The statement was signed by more than 250 investors from Europe, United States, Asia, Australia, Brazil and South Africa, with collective assets totaling over US$ 15 trillion—more than one-quarter of global capitalisation. Signatories included the global giants Allianz Global Investors and HSBC Global Asset Management, as well as many of the largest European pension funds and a dozen US public pension funds and state treasurers. It is the largest-ever group of investors to call for government action on climate change.

Citing potential GDP losses of up to 20 per cent by 2050 and the attractive economic benefits of shifting to low-carbon and resource-efficient economies now, investors released a major statement calling for nations and international policies that will encourage private investment into low carbon technologies.

A basic lesson to be learned from past experience in renewable energy is that, almost without exception, private sector investment in climate solutions has been driven by consistent and sustained government policy. Experiences from countries such as Spain, Germany and China show how structured policies can bolster investor confidence and help drive renewable energy investments. “These experiences also show how such policies can bring down the cost curve and eventually strengthen their competitiveness,” said Ole Beier Sørensen, chair of the Institutional Investor Group on Climate Change and chief of Research and Strategy at the Danish pension fund ATP, with EUR 56 billion in assets.

“We cannot drag our feet on the issue of global climate change,” said Barbara Kruse, chief of UNEP Finance Initiative and CEO of US-based investment firm Calvert Investments. “Calvert is deeply concerned about the devastating impacts of climate change – left unaddressed – will have on the global economy. Based on the Stern Report, we know these impacts could reach global GDP cuts of an unimaginable 20 per cent per year. Why should we take that risk? The solutions are quickly emerging and we must deploy these solutions to help secure the innovation and sustainable growth our economies need.”

While low-carbon global investment is increasing, especially in Asia, investors say substantially more private capital would be available for renewable energy, energy efficiency and other low-carbon technologies, stronger policies were in place. Global clean energy investments are expected to eclipse US$ 200 billion in 2010, up slightly from 2009 but substantially less than the roughly US$ 500 billion required annually by 2020 to restrict warming to below 2 degrees.

Reflecting its weaker policies, North America lags well behind Europe and Asia in clean energy investing, supporting US$ 26.7 billion in renewable energy projects in 2009, in comparison to US$ 43.7 billion for Europe or US$ 40.8 billion for Asia, according to a recent report by the United Nations Environment Programme (UNEP). The gap has increased this year with the US investing only US$ 4.4 billion in third-quarter 2010 while China’s investments topped US$ 13.5 billion and Europe US$ 8.4 billion.

Investors had a particularly sharp message for the new US Congress.

“Climate change may be out of vogue in Washington today, but it poses serious financial risks that are not going away and will only increase the longer we delay enacting sensible policies to transition to a low-carbon economy,” said Jack Ehnes, chief executive officer of the California State Teachers’ Retirement System (CalSTRS), the nation’s second largest public pension fund. “The nation’s leaders should take the cue from California, where strong clean energy policies have spurred American innovation and created thousands of jobs.”

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“Sector, country-specific and proprietary frameworks for reporting on sustainability are at odds with what the market needs today. Solutions need to be global, uniform, consistent, comparable with current needs and extensible to meet current and future needs; they need to help the market understand an organization’s sustainability practices, no matter in which country or industry sector they operate.

- Liv A. Watson & Brad J. Monterio
WHERE ARE YOU IN THE EVOLUTION TO INTEGRATED REPORTING?

DO YOU HAVE A SUSTAINABLE BUSINESS MODEL?
Liv Watson
Director, International Business Development, WebFilings; Founder of XBRL
watson.liv@gmail.com

Brad Monterio
Managing Director
Managing Director, Colcomgroup, Inc.
Board Member, Institute of Management Accountants
bmonterio@colcomgroup.com