Brief for Business Participants: **Integrated Reporting**

**What is Happening?**

- The evolution of corporate sustainability over the past decade has resulted in increasingly complex corporate reporting which requires more resources from companies to respond to stakeholder demands.
- Beyond the information that has been provided in traditional, regulated financial disclosures, integrated reporting (IR) is emerging as a way to address stakeholders’ need for different information about a company’s business model, strategy, performance, and prospects to remain competitive in the long term.
- To further define IR’s shape and format, the International Integrated Reporting Council (IIRC) emerged as the drafting body and the convener of stakeholders such as regulators, investors, companies, standard-setters, the accounting profession and NGOs. The Global Compact sits on the IIRC’s Council and Working Group, and 15 Global Compact LEAD participants continue to participate in the Pilot Programme Business Network.
- The International Integrated Reporting (IR) Framework was released on 9 December 2013, following a three-month global consultation led by the IIRC.
- Certain governments have championed IR in their markets - notably South Africa, as embodied in its Integrated Reporting Committee.

**Why is IR Important to the Global Compact?**

- The IR process feeds off of integrated thinking and its emphasis on connecting information on financial, environmental, social, ethical, intellectual and human dimensions of performance and prospects with functional areas inside of a company. As such, the IR process directly supports three major goals of the Global Compact:
  - **Mainstreaming sustainable management** of environmental, social, and ethical issues into corporate functions, business units, and operations.
  - **Achieving CEO/Board-level commitment**, leadership, and oversight of environmental, social, and ethical issues alongside financials.
  - Encouraging widespread adoption of corporate sustainability reporting, consistent with the Global Compact’s reporting requirement.

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1. IR is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.
2. Communication on Progress (COP): a public disclosure to stakeholders (e.g., investors, consumers, civil society, governments, etc.) on progress made in implementing the ten principles of the UN Global Compact, and in supporting broader UN development goals.
What Could <IR> Potentially Mean for Communicating Progress on Global Compact Issues?

- Further **streamlining of multiple reporting processes** in companies (financial, management commentary, governance and remuneration, sustainability, etc), because <IR> affects everyone from accountants to legal to operations to support functions.
- **More widespread consideration by the financial and investment communities** of environmental, social, and governance issues disclosed in COPs; given that integrated reports place a particular emphasis on the **providers of financial capital**. While the Global Compact promotes disclosure to a range of stakeholders as vital to enabling responsible decision-making, improved reporting to providers of financial capital in particular can result in:
  - Refinement of a company’s ability to talk about environmental, social, and ethical issues **in value and financial terms**
  - **Smarter and better reporting** – albeit more – because stakeholders besides providers of financial capital have information needs, too.
- **Increasingly rigorous** (toward financial-grade) **quality expectations and standards for environmental, social, and governance information and data**, as they are more often measured, gathered, analyzed, assured, and reported alongside regulated financial disclosures.

How Does <IR> Relate to the Big Picture of the Global Compact?

- The business community has shifted drastically from the days of believing sustainable development is the preserve of multilateral organizations, the public sector, aid agencies, and civil society, to an era of greater **willingness to contribute** and be part of the solution **in ways commensurate** with its technology, innovation, management skills and financial resources. **Transparency** is one of those ways.
- The Global Compact supports <IR>’s tenet that **sustainable value creation over time** is the fundamental role of business in the societies where it operates, and that business **depends on** and must **account for** the inter-relationships between various **types of capital**

> Corporate sustainability is the delivery of long-term value in financial, social, environmental, and ethical terms.

UN Global Compact

- The International <IR> Framework can be a **step towards a universal framework of integrated reporting** encompassing financial, natural, and social capital, which the Global Compact views as key to enabling business to contribute effectively to the **UN post-2015 development agenda** in a context of transparency and accountability.
- The Global Compact sees <IR> as a means to support providers of financial capital in their **decision-making, engagement, and voting practices**, in turn contributing to **better capital allocation** and more **sustainable, functional, equitable markets** in the long term.