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**ERICA (EUROPEAN RECORDS OF IFRS CONSOLIDATED
ACCOUNTS) WORKING GROUP**

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INTEGRATED REPORTING

European Committee of Central Balance Sheet Data Offices (ECCBSO)

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Members of the ERICA WG					
Manuel Ortega (chairman)	manuel.ortega@bde.es	Banco de España	Riccardo Renzi	riccardo.renzi@bancaitalia.it	Banca d'Italia
Pilar Saura	pilar.saura@bde.es	Banco de España	Matthias Lörch	matthias.loerch@bundesbank.de	Deutsche Bundesbank
Ana Bárbara Pinto	apinto@bportugal.pt	Banco de Portugal	Lena Leontyeva	olena.leontyeva@bundesbank.de	Deutsche Bundesbank
Mário Filipe Lourenço	mflourenco@bportugal.pt	Banco de Portugal	Frank Raulf	frank.raulf@bundesbank.de	Deutsche Bundesbank
Claire Mangin	Claire.MANGIN-SOUBRET@banque-france.fr	Banque de France	Sabine Wukovits	Sabine.Wukovits@oenb.at	Oesterreichische Nationalbank
Laurent Carlino	Laurent.CARLINO@banque-france.fr	Banque de France	Olga Lympelopoulou	olimperopoulou@bankofgreece.gr	Bank of Greece
Saskia Vennix	saskia.vennix@nbb.be	Banque Nationale de Belgique	Sébastien Pérez-Duarte	Sebastien.Perez-Duarte@ecb.int	European Central Bank
Ilse Rubbrecht	Ilse.Rubbrecht@nbb.be	Banque Nationale de Belgique	Bartek Czajka (observer)	bczaika@ifrs.org	IASB
Vincenzo Favale	vincenzo.favale@cervedgroup.com	Centrale dei Bilanci / Cerved Group			

I. INTRODUCTION

The European Committee of Central Balance Sheet Data Offices decided that ERICA WG as a part of its annual tasks should monitor the country and European developments referred to the Integrated Reporting projects and similar initiatives. The current document highlights the main targets and work programme of the project conducted by the IIRC (International Integrated Reporting Committee) and the main novelties developed in each country since the October's 2013 meeting of ECCBSO. Although no remarkable advances have been done in the implementation of IR in financial statements of largest or listed groups, its own nature (a voluntary process to be accepted by large corporations worldwide) means that the way ahead will be walked in an slow but steady process that ERICA WG will monitor and inform to ECCBSO.

In December 2013 IIRC outcomes the "International <IR> Framework". The purpose of this Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them. The Framework:

- Identifies information to be included in an integrated report for use in assessing the organization's ability to create value; it does not set benchmarks for such things as the quality of an organization's strategy or the level of its performance
- Is written primarily in the context of private sector, for-profit companies of any size but it can also be applied, adapted as necessary, by public sector and not-for-profit organizations.

Particularly important at an European Level is the approval by the European Parliament in April 2014 of Directive amending the accounting Directives as regards disclosure of non financial and diversity information for large companies and companies of public interest, listed and non listed: is a compulsory requirement for, those with more than 500 employees (what affects around 18.000 companies in the EU), to include in the annual report a non-financial statement, with information on matters on:

- Environment
- Social and employee-related data
- Respect to human rights
- Anti-corruption and bribery matters

Providing, in all cases, information of the policies, results and risks derived from these matters. The information about diversity policies (age, gender, geographical diversity, educational and professional background), would be applied only to large listed companies.

The Directive will be transposed by Member States into national legislation by the end of 2016 and will be applied by the companies for 2017 financial years.

From information by European countries included in ERICA WG, it can be summarized that there are no official news on Integrated Reporting. However, year 2015 is being very active in Belgium and Portugal. In Belgium, new legislation pushes to produce sustainability reports by federal government services while a discussion started mid 2015 on how large private companies and companies of public interest has to disclose non financial information.. In Portugal as well private initiatives have become more significant as companies are becoming more aware of the importance of Integrated reporting.

II. WHAT IS INTEGRATED REPORTING? THE IIRC COMMITTEE AND ITS WORKING PROGRAM

II.1 THE NEED OF AN INTEGRATED REPORTING PROJECT

The financial crisis highlighted the need for more comprehensive information in corporate reporting, so that investors and other stakeholders can have a clear sense of the risks and opportunities that a company faces. Integrated Reporting will help to bring together data that is relevant to the performance and impact of a company in a way that will create a more profound and comprehensive picture of the risks and opportunities a company faces, specifically in the context of the drive towards a more sustainable global economy.

Integrated Reporting brings together material information about an organization'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 organization demonstrates stewardship and how it creates and sustains value. An Integrated Report should be an organization's primary reporting vehicle.

The target of an Integrated Reporting is to reflect the connections between economic, social, environmental, governance and financial factors and their impact on the long term performance of the company.

The aims are:

- Supporting the information needs of long term investors
- Showing broader and long term consequences of decision-making
- Bringing reporting closer to the information used by management
- Rebalancing performance metrics away from emphasis on short term practice

Current reporting standards such as International Financial Reporting Standards (IFRS) or US Generally Accepted Accounting Principles (US GAAP) require organizations to produce a fair and reasonable account of their business in audited financial reports. Often, these reports do not fully consider the social, environmental and long-term economic context within which the business operates. Some companies produce 'Sustainability' or 'Environmental, Social and Governance' (ESG) reports which consider these factors. However, these reports do not necessarily connect the risks and opportunities with the business strategy and model. To cover this gap is precisely one of the main tasks of Integrated Reporting initiatives.

II.2 THE IIRC COMMITTEE AND ITS WORKING PROGRAMME

IIRC - International Integrated Reporting Council - was established in July 2010 to support the development of Integrated Reporting. The IIRC is a powerful, international cross section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society. The IIRC was established under the chairmanship of Sir Michael Peat, Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall, with Council, chaired by Mr. Mervin King, a secretariat, a Board, as well as working groups and task forces (more information at <http://www.theiirc.org/the-iirc/structure-of-the-iirc/>)

The principal role of the IIRC is to:

- reach a consensus among governments, listing authorities, business, investors, accounting bodies and standard setters for the best way to tackle the challenges of Integrated Reporting
- identify priority areas where additional work is needed and provide a plan for development
- develop an overarching Integrated Reporting framework, which sets out the scope and key components of Integrated Reporting
- consider whether standards in this area should be voluntary or mandatory
- promote the adoption of Integrated Reporting by relevant regulators and report preparers

The IIRC Working Programme focuses on the Integrated Reporting Framework. Businesses and investors are analyzing the principles, content and practical applications of the Integrated Reporting. It will be extended to September 2014, after the publication of the Integrated Reporting Framework in December 2013 and after time to allow participants to test the Framework during the following reporting period. Extremely important is the existence of a database of emerging reporting practice, that includes some examples that can help the readers of the consultation draft launched in April 2013.

The following Guiding Principles underpin the preparation of an integrated report, informing the content of the report and how information is presented:

- *Strategic focus and future orientation:* An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term, and to its use of and effects on the capitals
- *Connectivity of information:* An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time
- *Stakeholder relationships:* An integrated report should provide insight into the nature and quality of the organization's relationships with its key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests

- *Materiality*: An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term
- *Conciseness*: An integrated report should be concise
- *Reliability and completeness*: An integrated report should include all material matters, both positive and negative, in a balanced way and without material error
- *Consistency and comparability*: The information in an integrated report should be presented: (a) on a basis that is consistent over time; and (b) in a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive:

- **Organizational overview and external environment**: What does the organization do and what are the circumstances under which it operates?
- **Governance**: How does the organization's governance structure support its ability to create value in the short, medium and long term?
- **Business model**: What is the organization's business model?
- **Risks and opportunities**: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?
- **Strategy and resource allocation**: Where does the organization want to go and how does it intend to get there?
- **Performance**: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- **Outlook**: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- **Basis of presentation**: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

The IIRC Pilot Programme, which came to an end after three successful years in September 2014, underpins the development of Integrated Reporting. The network of organizations participating in the Pilot Programme have contributed to the development of the International <IR> Framework and demonstrate global leadership in this emerging field of corporate reporting.

Through the Pilot Programme the principles, content and practical application of <IR> was developed, and were tried and tested by the businesses and investors. It was running until September 2014, as participants test the Framework, which was published in December 2013, during their current reporting cycle. This is enabling the IIRC to assess <IR> outcomes and continue its work.

Over 100 businesses from around the globe have joined the IIRC Pilot Programme Business Network. The Pilot Programme provides the opportunity to discuss and challenge developing technical material, test its application and share learning and experiences.

The IIIRC appointed in September 2015 a new Board of Directors with the aim of enhancing the global scope and influence of <IR>.

III. ERICA WG'S MEMBERS MAIN NOVELTIES

Austria

In January 2014 PWC published a study about the implementation of integrated reporting in the statements of Austrian companies listed in the prime market of Vienna Stockexchange. According to this study there is no company which fulfills the requirements to the full extent.

Non financial reporting which exceeds the required notes is not compulsory in Austria. Nevertheless non financial reporting gains in importance. More and more companies publish sustainability reports or corporate social responsibility reports. In this respect many companies already fulfill at least partly the requirements of IIRC. The study showed that 68% of the listed companies fulfilled parts of the IIRC requirements.

There are no information more current available.

Belgium

In the Federal Public Service Economy a discussion has been started on how to transpose the European Directive 2014/95/EU into the Belgian legislation. The Directive concerns the disclosure of non financial and diversity information for large companies and companies of public interest (listed and non listed). All companies - whether parent entity or not - who are listed, who are a financial institution or an insurance company, with the number of employees higher than 500, belong to the minimum scope. A first discussion between the FPS Economy and the Belgian stakeholders took place on the 10th June 2015.

The Belgian legislative proposal “to oblige federal government services to publish a sustainability report”, is implemented and applied in the meanwhile. This implies that each federal government service in Belgium has a management contract with its Minister in charge. In this contract the commitment is mentioned to report biennially a GRI4-report (based on 4 guidelines) which will not only enumerate the GRI-indicators, but will also specify how those indicators fit into the production process of the organization.

Furthermore various Belgian Companies apply the principles of the GRI on a voluntary basis to their reporting framework. Most of them integrate the GRI index in their annual report. Each year the Institution for Auditors (IBR) organizes the “Award for Best Belgian Sustainability Report”. This annual Award Edition is organized in collaboration with the Federal Institution for Sustainable Development, and with The Shift (this is a merger of KAURI, Business & Society Belgium and Global Compact Network Belgium). The 17th edition of the award for the best Belgian Sustainability Report will take place in December 2015. In the last edition at the end of 2014, 55 Belgian firms and organizations participated voluntary, which is one more than in 2013 and which is less than in 2012 when 58 organizations attended. We may not consider this Annual Award Edition as the perfect indicator to

measure the number of companies that set up a sustainability report on a voluntary basis, since not all companies participate to the contest. The type of entities that integrate the GRI principles voluntarily, is quite diverse: mainly big companies attend, but also SME, NGO's and 'other' organizations participate. An award was granted for each of the four categories.

France

Few French groups are experimenting integrated reporting reports: DANONE, ENGIE, SANOFI.

Germany

There is no important news on Integrated Reporting in Germany. In 2013 only 3 out of the 30 companies of the DAX published an integrated report. Generally, more and more firms publish non-financial information on typical topics of Integrated Reporting (e.g. sustainability and social responsibility) in separate sustainability reports, in the management report of the financial statement or on their website.

Greece

There is no important news on Integrated Reporting from Greece. Even though many large companies include a "sustainability report" part in their Annual Report, there are no further steps for the creation of an Integrated Report. Only one Greek Company, "Titan Cement Company S.A.", has been issuing since 2013 an Integrated Report.

Italy

Italian Network of Business Reporting has arranged a meeting on the issue "Integrated Reporting: best practices, KPI and financial reporting". The meeting is planned on 30th October with high level speakers, international (IRCC,..) and national. On July 2015 Italian Network of Business Reporting sign an agreement with International Integrated Reporting Council (IIRC). The agreement provide for a wide cooperation.

Portugal

In Portugal there are no official initiatives about Integrated Reporting. However consciousness for sustainable growth has been increasing among public and private entities and several events have taken place in 2015.

With a total of 100 members, among which some of Portugal's largest companies, the **BCSD Portugal – Business Council for Sustainable Development** – a non-profit organization member of the WBCSD (World Business Council for Sustainable Development), promoted initiatives such as:

- the conference "Integrating nature conservation in corporate sustainability policies", with the intervention of the Minister of Environment, Territory Management and Energy and of some BCSD Portugal member companies (Edia, EDP, Portucel Soporcel Group, Jerónimo Martins and Somincor), reflecting on the subject of nature conservation in their sustainability policies;
- the event "How to increase the business contribution to sustainable development: what reveals the Observatory of Corporate Sustainability ", within which the Observatory of Corporate Sustainability (a tool used by BCSD Portugal to measure the performance and needs of BCSD member companies in terms of sustainability), disclosed its preliminary results for the 2014 Corporate Sustainability Index (ISE), aiming to discuss the contribution of companies in the areas analyzed by the ISE (strategic leadership, human capital, sustainable production and consumption, energy and climate and biodiversity and services of ecosystems), including a panel discussion with the intervention of a climatologist and recognized global specialist on the subject;
- the 8th edition of the Green Project Awards (GPA), with seven categories in competition (agriculture, sea and tourism, products and services, mobilization initiatives, efficient resource management, sustainable consumption, research and development and youth initiatives), allowing BCSD Portugal to reward and recognize good practices that promote sustainable development. The GPA is an initiative of the GCI communication consultant, organized in partnership with the Portuguese Environment Agency and Quercus (National Association for Nature Conservation);
- the project "Action 7 - Demonstrate the value generated by energy efficiency projects", through which ANA Airports, Brisa, Bosch, Cimpor, CGD, Ferpinta, Jerónimo Martins, LIPOR, Metropolitano de Lisboa and Vieira de Almeida shared the first case studies of this initiative, developed by the members of BCSD Portugal in 2013 aiming at the production of specific shared solutions in this area;
- the conference "Portugal and Industry", an event which brought together business leaders, policy makers and opinion leaders with links to the industry, featuring a round table about "The focus of the industry as a lever of growth and competitiveness" and four break-out sessions taking place simultaneously regarding agriculture, water and microbiological control, the roads sector and polyurethanes;
- the signing of a cooperation agreement between BBCSD Portugal and the Ministry of Education and Science aimed at designing education courses and promoting training in the workplace, especially in schools providing vocational courses at secondary level.
- the conference on "How Portugal sees the challenges of cop21" that discussed the urgency of the climate issue, the perception of climate change by the Portuguese citizens and the imperative of decarbonisation as a development opportunity, a conference-debate

organized by the French Embassy with the presence of the Minister for Environment, Spatial Planning and Energy and the French Ambassador in Portugal.

- the conference "Putting the Circular Economy" that brings together national and international leaders from business and universities, aimed at transitioning into a circular economy where the materials are returned to the production cycle through reuse, recovery and recycling, a conference organized by the Sociedade Ponto Verde (private non-profit entity) in partnership with the Ministry of Environment, Spatial Planning and Energy and the BCSD Portugal.

Spain

AECA (Spanish non profit organization for Accounting and Business Administration) has developed a new technical tool called 'Integrated Suite'¹ which allows the creation, publication and analysis of integrated reportings focused on main quantitative indicators and qualitative elements required by the IR Framework. This tool is based on XBRL (recommended language by the IIRC) and currently allows the creation of complete integrated reports (with the possibility of including values, comments, and references to websites). New functionalities are being developed, as the possibility of obtaining following analysis and simulations:

- comparisons between several companies for each Integrated Reporting indicator,
- ranking of higher values in the Integrated Reporting indicator chosen by the user
- ratings from Integrated Reporting indicators for all the companies included in the tool
- investigation of the possible impact that the reports could have in the capitalization evolution.

Indicators defined in the tool are also in line with the new Directive on non financial and diversity information.

¹ www.is.aeca.es/suite

Document Management

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This document highlights the main issue of the Integrated reporting project and shows the current situation in each country.

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Doc4.2 - ERICAWG_Integrated reporting_2015_F	16/10/2015	Final version of the document, approved by the ERICA WG

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Belgium	Ilse Rubbrecht	31/08/2015	Ilse Rubbrecht Saskia Vennix	16/01/2015	21/10/2015
France	Claire Mangin	02/09/2015	Claire Mangin Laurent Carlino	16/01/2015	21/10/2015
Germany	Matthias Lörch	21/08/2015	Matthias Lörch Lena Leontyeva	16/01/2015	21/10/2015
Greece	Olga Lymperopoulou	22/07/2015	Olga Lymperopoulou	16/01/2015	21/10/2015
Italy	Vincenzo Favale	31/08/2015	Vincenzo Favale	16/01/2015	21/10/2015
Portugal	Mário Lourenço	21/08/2015	Mário Lourenço	16/01/2015	21/10/2015
Spain	Pilar Saura	10/09/2015	Manuel Ortega Pilar Saura	16/01/2015	21/10/2015