



Forging a path to integrated reporting



**INSIGHTS FROM THE GRI CORPORATE LEADERSHIP
GROUP ON INTEGRATED REPORTING**

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“Platforms such as GRI’s Corporate Leadership Group on integrated reporting are instrumental in shaping the future of corporate reporting, as they stimulate high-level peer learning, enrich existing discussions and provide innovative insights. This is an exciting and fast-changing era for corporate reporting and we are looking forward to following the work and further thoughts from this group of leading companies.”

Eric Hespenheide (Interim Chief Executive) – GRI

We live in a world of multiple dimensions where a variety of resources and relationships contribute to understanding the full story of an organization's impacts and value creation. Only by acknowledging the connectivity between these resources and relationships is it possible to understand the full picture. This is why it is essential that corporate reporting is seen through a broader lens that brings into focus financial and sustainability information together with other considerations.

The recognition that a substantial portion of market capitalization was made up of so-called intangible, such as governance, trust and the contribution of human capital, legitimacy of operations and supply chain, led to the development and introduction of sustainability reporting by the GRI. Twenty years on, sustainability reporting has become mainstream, with over 90 percent of the world's largest 250 companies, and 70 percent of the largest 100 companies within 45 countries, disclosing their sustainability performance.¹ Sustainability reporting has also become a common tool for policy makers in many jurisdictions with almost 400 policy instruments produced by governmental or market regulators in 64 countries.²

However, sustainability reports are still often produced in a silo alongside other reports such as financial statements. While individual reports still provide critical information to stakeholders, in isolation they are not sufficient to gain a comprehensive understanding of the full impacts and performance of a company. The establishment of the International Integrated Reporting Council (IIRC), of which GRI was a founding member, had the objective to help organizations provide a more comprehensive picture of how they are performing to create value over time across all relevant capitals. Integrated

reporting, which is founded on integrated thinking within the business, explains the interrelationships between financial and other capitals that the business depends on. The integrated report may link to more in-depth financial or sustainability information that different stakeholders require. A growing number of companies are already adopting this approach and are experimenting with ways to successfully implement this cycle of integrated thinking and reporting, enabling them to embed sustainability issues into their business strategy and communicate about it.

GRI is continuing to work with the IIRC with a shared vision for the evolution of corporate reporting, in which alignment and clarity of frameworks, standards and requirements will lead to improved efficiency and effectiveness in reporting. Platforms such as GRI's Corporate Leadership Group on integrated reporting are instrumental in shaping the future of corporate reporting, as they stimulate high-level peer learning, enrich existing discussions and provide innovative insights. This is an exciting and fast-changing era for corporate reporting and we are looking forward to following the work and further thoughts of this group of leading companies.



Eric Hespeneide
(Interim Chief Executive) – GRI

1) KPMG (2015) *Survey of Corporate Responsibility Reporting*

2) GRI, KPMG, UNEP, USB (2016) *Carrots Sticks: Global trends in sustainability reporting regulation and policy*

Preface

GRI's Corporate Leadership Group on integrated reporting is not about having all the answers; it is about asking the right questions. It is about challenging ideas, questioning assumptions and trying to take the debate to a higher level through dialogue and conversation.

It has been a fascinating two years creating and hosting GRI's Corporate Leadership Group on integrated reporting (CLGir), watching how the group's discussions have unfolded, the types of challenges that have been identified, the questions raised and the solutions proposed.

We established the CLGir in response to numerous queries from reporting organizations and individuals who asked us at GRI to share our insights on leveraging existing sustainability reporting practice to create meaningful integrated reports and promote integrated thinking. Recognizing that we don't have all the answers in this newly developing field, we formed this group with the aim of building our collective knowledge by working collaboratively with advanced reporting companies to find practical solutions to some of the challenges they face as they forge the path to integrated reporting.

Following a process of consultation with the founding CLGir members, the program was

designed to meet their specific needs and answer questions such as:

- What is the nature of the relationship between integrated reporting and sustainability reporting, and between GRI Standards and the IIRC International <IR> Framework?
- How, if at all, does the target audience of an integrated report differ from that of a sustainability report, and what are the reporting implications of different stakeholder needs?
- What are the key elements to include when we seek to explain our business model?
- What constitutes materiality for an integrated report and for a sustainability report, and what is the best way to identify the material issues for each report?
- What are the challenges and approaches associated with assuring an integrated report?
- How does it foster the right organizational culture for integrated thinking across the company?



“As participants, we have had the opportunity to hear and learn the different points of view that are expressed around the same table – this is how good decisions are taken.”

Michel Washer (Deputy Chief Sustainability Officer) – Solvay

Since the first CLGir meeting in April 2015, members have participated in seven Leadership Labs, both in-person and online, during which they have shared their challenges and experiences in promoting integrated reporting and integrated thinking, engaged with leading experts and stakeholder representatives, and undertaken a peer review of a colleague's most recent integrated report.

Almost all of the individual participants of the CLGir come from the sustainability (or equivalent) departments of their respective companies, and each of them has at least some responsibility for promoting the integration of sustainability issues within the company strategy or the annual integrated reporting process. The discussions have been frank and engaging, and have resulted in some valuable practical recommendations for meaningful integrated reporting, many of which are shared in this report.

I hope you enjoy reading this report, and I encourage you to give us your feedback and

share your experiences. I wish to thank the representatives of the CLGir members, who have contributed so actively in the discussions, the CLGir convenor Jonathon Hanks (Incite) and Juliette Gaussem (GRI) for leading the group through this process, and to my various colleagues at GRI who have contributed in different ways to the CLGir discussions.



Nikki McKean-Wood

(Director Corporate and Stakeholder Relations) – GRI

I. Introduction and background

I.1 The evolution of integrated reporting



“Integrated reporting reflects a critical point in the evolution of financial accounting practice. Its core purpose is to ensure that organizations provide a more accurate account of their creation or destruction of value among the different forms of capital. It achieves this by shifting the focus away from the traditional exclusivity of financial measurement.”

Dr Robert Massie (Co-founder) – GRI

Corporate accounting and reporting practice has changed significantly over the last 100 years, reflecting growing demands for enhanced corporate accountability, a changing understanding of value creation and a greater appreciation of the interdependencies between financial, economic, environmental and social systems.

Since GRI launched the first global sustainability reporting framework in 2000, it has become the de facto standard for sustainability reporting; this rise has been accompanied by a range of other voluntary and regulatory initiatives on corporate disclosure. One significant development has been the move towards integrated reporting, prompted

in part by the 2008 global financial crisis and the concern that traditional reporting does not provide sufficient insight into the total economic value of organizations, or of their ability to create value in the future. The International <IR> Framework, issued in 2013 by the International Integrated Reporting Council (IIRC), provides principles-based guidance that aims to improve the quality of information available to providers of financial capital, to enable a more efficient and productive allocation of capital. The Framework encourages a more strategic, future-oriented appreciation of the factors that materially affect an organization's ability to create value over time.

Recent surveys of current reporting practice³ suggest a continuing steady increase in the quality and quantity of sustainability reporting, as well as in the inclusion of sustainability information within annual financial reports, be this in the form of a 'combined' report (in which sustainability issues have simply been included within the annual report), or an 'integrated' report (providing a concise communication about how an organization's strategy, governance, performance and prospects create value over time). These trends are being driven by two main factors:

- The introduction by governments, financial market regulators and stock exchanges of requirements that drive the enhanced disclosure of sustainability-related information in annual reporting cycles.⁴

³ See, e.g., the various studies and reports listed under 'Further reading' (page 34)

⁴ A detailed review of the uptake of regulatory and voluntary instruments on corporate disclosure is provided in GRI, KPMG, UNEP, USB (2016) *Carrots Sticks: Global trends in sustainability reporting regulation and policy*

- A growing appreciation – by reporting companies, investors and other stakeholders – of the business risks and opportunities associated with broader issues such as social and environmental challenges.

As evidence of the material financial implications of societal issues grows, some leading institutional investors are calling on companies to improve disclosure of their business models, strengthen their analysis of current and anticipated societal risks and opportunities, and provide greater detail on their current sustainability performance and their strategic framework for longer-term value creation. At the same time, many of the mainstream investors who read annual reports focus almost exclusively on the financial information when making their assessments. In such instances, effective integrated reporting is arguably more about educating investors of the organization's longer-term value creation process than it is about simply responding to current investor interests.



“Today’s culture of quarterly earnings hysteria is totally contrary to the long-term approach we need... One reason for investors’ short-term horizons is that companies have not sufficiently educated them about the ecosystems they are operating in, what their competitive threats are and how technology and other innovations are impacting their businesses... We are asking that every CEO lay out for shareholders each year a strategic framework for long-term value creation.”

Larry Fink (CEO) – BlackRock⁵



As one of the co-conveners of the IIRC, GRI has been involved in its activities since its inception in 2010, recognizing the mutually supporting roles of the GRI Standards and International <IR> Framework. GRI fully supports integrated reporting as an important and necessary innovation of corporate reporting and believes that meaningful integrated reporting can only be accomplished through effective integration within reports that integrate sustainability data and robust sustainability metrics, identified through a multi-stakeholder engagement approach.

Understanding the practical implications, particularly in ensuring effective integration of sustainability information, is a key imperative.



“We believe that integrated reporting is the way of the future; it is not possible to assess the health of the company solely with financial indicators.”

CLG member

5) Larry Fink's 2016 Corporate Governance Letter to CEOs: www.blackrock.com/corporate/en-zz/literature/press-release/ldf-corp-gov-2016.pdf



1.2 Integrated reporting and sustainability reporting: The fundamentals

An underlying objective of GRI's Corporate Leadership Group on integrated reporting (CLGir) is to identify opportunities for companies to leverage existing robust practice in sustainability reporting with the aim of developing leading practice in integrated reporting. In seeking to meet this objective, it is important to understand the respective roles of and relationships between integrated reporting and sustainability reporting, and an integrated report and a sustainability report.

INTEGRATED REPORTING: UNDERSTANDING VALUE CREATION, DRIVING INTEGRATED THINKING



“The role of integrated reporting is to drive integrated thinking throughout the organization. The aim should not simply be to have a report at the end of the process, but also to have ‘integrated thinking’ embedded in the organization.”

CLG participant

Prior to the first CLGir meeting, participants were invited to share their understanding of the meaning of ‘integrated reporting’ and its relationship with the company’s sustainability reporting activities.

Their response was clear and consistent: the primary role of the integrated report is to reflect how the company creates value – both for itself and for others – recognizing that the organization’s capacity to create value in the future is dependent on certain critical resources and stakeholder relationships. In doing so, the report should demonstrate how relevant sustainability issues have been integrated within the company’s business strategy and activities. By reflecting more holistically on how the organization creates value over time, an underlying objective of the integrated reporting process is to foster ‘integrated thinking’, including a greater appreciation within the company of the financial implications of the social and environmental issues and impacts that normally fall outside the scope of core business considerations (and that are often, misleadingly, called ‘non-financial’ issues).

There was agreement that the outcome of the integrated reporting process should not be limited to one report, but should include the provision of additional, more detailed information aimed at different stakeholders, addressing different information needs. While it was suggested that the main resulting report – the integrated report – should be of benefit to any stakeholder who has an interest in the company’s ability to create value over time, it was broadly agreed that this report should be a concise document targeted primarily at investors.



INTEGRATED REPORTING AND SUSTAINABILITY REPORTING: A CRITICAL RELATIONSHIP



“GRI believes that sustainability reporting experience is a necessary prerequisite for good integrated reporting. Integrated reporting does not replace the strategic element of the sustainability reporting exercise.”

Bastian Buck (Director, Reporting Standards)
– GRI

“It is important to recognize that there are different audiences and purposes of reports. Just because you are producing an integrated report, it does not mean that you should stop producing a sustainability report.”

Michael Nugent (Technical Director, Framework Development) – IIRC

Reflecting on the relationship between integrated and sustainability reporting, most participants agreed that a company’s sustainability reporting process provides the necessary engine for the sustainability performance data that companies need in order to appreciate the strategic significance of relevant societal issues. These societal issues may include issues such as income inequality, joblessness, changing demographics, technological transformation, resource scarcity or climate change. Without first going through a sustainability reporting process, during which the company considers its relationship with and impacts on the broader societal context, it is seen to be difficult for companies to undertake the integrated thinking needed to produce a meaningful integrated report. Given this understanding, it was suggested that the growing global interest in integrated reporting should serve as a stimulus for more widespread

understanding of, and reporting on, sustainability impacts and performance.

In addition to the strategic value of the sustainability reporting process for the purposes of the integrated report, most participants highlighted the significant continuing value, particularly for larger companies, in providing more detailed, separately available sustainability performance information to complement any sustainability data provided in the integrated report. Recognizing that different reports have different audiences and purposes, this additional sustainability information (whether published in a separate report or simply made available online) could provide more detail for a broader range of stakeholders than those addressed by the integrated report.



“When you buy a gadget, you get two types of manual: the thick one and the ‘quick guide’ to get you up and running within five minutes. The integrated report should be the ‘quick guide’ to the organization. It should be a very concise strategic document that makes it easy for all our stakeholders to drill down into supporting material to access the information they are looking for.”

CLGir member

“We believe that the integrated report should not be a single document. This is something we would like to clarify and push in the discussion. The common expectation is to have one single document, but it is more than that. Integrated reporting should also include the provision of separate more detailed supporting information relating, for example, to the company’s sustainability and corporate governance activities.”

CLGir member



Box I – Envisioning integrated thinking in the company

In an exercise aimed at visualizing what it would mean to embed integrated thinking in their companies, the CLGir members identified various characteristics their companies would have. These characteristics provide a useful indication of activities companies can undertake as they strive to embed integrated thinking.

- › **Societal issues are fully integrated into the company's business strategy** and decision making; the company's response to societal challenges is recognized as a means of creating value that drives innovation, rather than as a compliance burden or about doing good.
- › There is clearer view internally and externally of **how value is created or destroyed**, with a good appreciation across the management team of the interdependencies between the organisation's activities and the capitals that it uses or affects.
- › Organizational **silos have been broken**, and there are flatter organizational hierarchies and greater levels of trust and responsibility, fostering greater collaboration across the company.
- › **Boards have greater levels of stakeholder diversity**, and a stronger emphasis on the role of independent non-executive directors, whose focus is on optimizing rather than maximizing profits, and on encouraging social innovation and entrepreneurship.
- › A **sustainability steering committee** reports directly to the CEO to ensure that societal goals, commitments and stakeholder needs are fully addressed.
- › There is **enhanced transparency and more active stakeholder engagement**, with reporting on sustainability issues enjoying equal standing with traditional financial reporting and accounting.
- › The **executive team is involved in the reporting process** from the very start, with an executive committee actively engaged in a well-structured materiality process that identifies the issues to be addressed in their reporting activities.
- › There is a **single, coordinated reporting process**, with a single database and integrated dashboard tracking performance against carefully chosen KPIs aimed at reviewing the company's delivery of its integrated strategy.
- › All of the above activities have resulted in **improved management and board decisions**, based on an improved information set and a better appreciation of the value creation process.
- › The uptake of integrated reporting and thinking is encouraged by **mainstream investors who are now taking sustainability considerations into account as part of business as usual**, as well as by the convergence of financial and sustainability rating agencies who have adopted similar standards based on full cost accounting principles that seek to address current gaps between societal value and enterprise value.



Box 2 – Characteristics of a meaningful integrated report

While there is no one right way to create an integrated report, there are nevertheless several distinguishing features that participants identified as constituting the possible characteristics of a meaningful and effective integrated report:

- › **Integrated (rather than combined)** – Provides compelling evidence of integrated thinking across the organization and its activities, showing a clear link between the organization's value creation process (its business model), the issues impacting on value, its current performance and its strategy, with a forward-looking perspective on potential risks and opportunities; this is not the same as simply combining sustainability information with traditional financial reporting.
- › **Material** – Focuses on the issues that have a material impact on value creation (for the organization and the stakeholders that impact value), informed by an appropriately structured materiality process.
- › **Concise** – A succinct, strategic document that addresses the issues that matter, with a clear link to additional supporting information.
- › **Comparable** – Enables performance to be compared, both within the organization over time, as well as with other similar organizations.
- › **Contextual** – Provides a clear description of the current and anticipated operating context, and outlines the current and potential future risks and opportunities.
- › **Clear** – Uses unambiguous language, supported by effective design and the appropriate use of info-graphics.
- › **Responsive** – Demonstrate responsiveness to the legitimate interests of priority stakeholders.
- › **Frank** – Provides frank disclosure of the organization's performance, acknowledging any areas of poor performance, and any relevant criticisms from stakeholders that have a material bearing on the company's value creation process.

2. Forging a path to integrated reporting

An important objective of the GRI Corporate Leadership Group on integrated reporting (CLGir) is to identify opportunities to leverage existing robust sustainability reporting practice for the purposes of ensuring meaningful integrated reporting. Over the course of 18 months, the CLGir members have participated in a series of international Leadership Labs, during which they have shared their specific challenges and solutions, engaged with leading sustainability and integrated reporting thought leaders and stakeholders, and undertaken a high-level peer review of each other's most recent reports. Through this process of peer group discussion and review, participants identified various opportunities for improving their current reporting activities.

2.1 Integrated reporting: Common challenges

As part of the process of joining the CLGir, members were asked to share some of challenges they face in their companies as they seek to drive the effective integration of sustainability issues into their annual reporting process. These challenges, which varied across the participating companies, can be grouped into five broad themes. (Note: all quotes in this section come from the CLGir members).

I. DEVELOPING THE RIGHT ORGANIZATIONAL MIND-SET

A prominent concern facing many companies has been the need to address pockets of internal resistance regarding the uptake of integrated thinking and reporting. This is often underpinned by a failure of certain executives to see any direct financial benefits in addressing sustainability issues, a lack of interest from investors or simply a case of institutional inertia across different departments and organizational functions.



“The most significant challenge we face is in establishing the right internal cultural mind-set. Many in our management team don’t see the link between sustainability and financial performance. Our finance department is not yet convinced of the need to move to an integrated report, as the majority of investors don’t seem to care.”

“We have a challenge in getting the different departments together to place their interests in one report: the communications department wants a good story, the sustainability division wants to focus on the sustainability context, while the finance department wants to stick to the numbers.”

CLGir member

2. ADDRESSING SPECIFIC PROCESS-RELATED REPORTING CHALLENGES

Several participants highlighted challenges they are facing in addressing three specific issues associated with the process of developing their integrated report: understanding and presenting the company business model, developing an effective materiality process and improving the process and disclosure of any stakeholder dialogue undertaken in developing the report. Two of the Leadership Labs focused on addressing these challenges, with the participating companies and external stakeholders sharing their experience and perspectives; key findings from these discussions are reflected later in this section.



“One of our recognized gaps is the need to develop an effective and well organized materiality process, informed by a sound methodology that incorporates internal and external stakeholders.”

“A key gap we face is how to properly describe and present the company’s business model.”

“We need to find ways to strengthen our approach to engaging in genuine dialogue with our stakeholders.”

CLGir member

3. CLARIFYING THE RELATIONSHIP BETWEEN THE VARIOUS REPORTING FRAMEWORKS

Several participants identified the need for greater clarity in understanding the respective roles and

relationships between the GRI Standards and the IIRC’s International <IR> Framework. An important specific focus of the CLGir discussions has been to review the use of existing GRI reporting practice to inform companies’ uptake of integrated reporting and the implications of this. It is envisaged that the nature of this relationship will continue to be explored in more detail, in future CLGir Leadership Labs.



“We’re struggling with understanding the exact nature of the relationship between the IIRC and GRI frameworks.”

“We are looking for greater clarity on how the GRI Standards can be used within our integrated reporting process.”

CLGir member



4. IDENTIFYING THE RIGHT PERFORMANCE INDICATORS

Related to the previous challenge, some participants highlighted their difficulties in identifying the most appropriate set of key performance indicators (KPIs) to most effectively track and report on the value creation process across their company's value chain. Some suggested that a principles-based approach to guidance, as provided, for example, in the IIRC's International <IR> Framework, gives insufficient guidance on what should be reported.



“Unlike with financial accounting, most so-called ‘non-financial’ indicators are not very precise or readily available, and there are too many different standards relating to non-financial reporting. It is not clear, for example, what indicators we should be using if we want to measure social capital.”

“One of our main difficulties is in identifying the right KPIs to ensure that we are properly assessing and tracking value creation across the company.”

CLGir member

5. ENHANCING THE IMPACT OF THE INTEGRATED REPORT

Finally, most participants recognized that there remains scope to further enhance the effectiveness of their integrated reports. One challenge many reporting companies face is how to find the right balance between being very concise and focused, while being sufficiently comprehensive in disclosure, therefore enabling comparability. Many recognized the potential for more effective use of technology and improving the overall structure and design of the report.



“We want to make the content of our report even shorter, so we try to reduce the number of pages and to focus on things that are essential for our report.”

“We are striving to make the report more user-friendly for stakeholders to find the information they are interested in. We recognize that this might involve communicating the report in a different manner, such as publishing it on an interactive interface, where people can customize information themselves.”

CLGir member

2.2 Business model: Reflecting on value creation

The common understanding among CLGir members regarding the primary role of the integrated reports to reflect how the reporting company creates value over time for itself and for others. In light of this understanding, there was broad agreement among participants on the importance and challenges associated with providing a clear description of the company's business model. Providing information that shows how a company creates value and structuring the information to show how sustainability issues impact on value creation is seen to be essential, not only in enabling an informed assessment of the company's ongoing ability to generate value, but also in interpreting the company's overall performance.



“To understand the sustainability information a company provides, it is important to have a really good understanding of exactly what a company does. This is where integrated reporting can be a great way to communicate with stakeholders: it helps to provide the background and context to the sustainability data.”

Danielle Smith (Private Sector Team) – Oxfam GB

PRESENTING THE BUSINESS MODEL: ACKNOWLEDGING THE CHALLENGE

Most of the participating companies and panellists acknowledged that finding a meaningful way to present the company's business model remains

an important challenge. During one of the CLGir panel discussions, one of the external experts suggested that in his experience very few (if any) companies have provided a sufficiently accurate description of their business model in their annual reports. He argued further that the principal corporate reporting frameworks currently provide insufficient, and sometimes misleading, guidance on business models.



“Your industry does not define who you are – your business model defines who you are. Thus, you should compare yourself to peers based on business model, not on industry. The business model describes the way an organization creates, delivers and captures value. When doing integrated reporting, many companies tend to forget the ‘create’ and ‘deliver’ parts and only focus on ‘capture’.”

Professor Christian Nielsen (Professor) – Aalborg University

PRESENTING THE BUSINESS MODEL: RECOGNIZING THE VALUE

During different CLGir panel discussions, various stakeholder representatives highlighted the value in providing an accurate description of the company business model. From an investor perspective, it was suggested, for example, that financial investors generally get very little insight from annual reports into how the company actually makes money or creates value more broadly, without which it is difficult to assess whether current levels of profitability can be sustained over the medium and long term. It was argued that in seeking to address this information gap, integrated reports

should provide a meaningful analysis of the critical stakeholder relationships and resources needed for value creation, and of the activities being taken to manage these.



“Integrated reporting should provide investors with a clearer understanding of how a company makes money. The success of a company in the long term is a function of its ability to engage with stakeholders, attract employees, manage resources, manage its supply chain and manage its interaction with regulators and local communities.”

Andy Howard (Head of Sustainable Research) – Schroders

Representatives of other stakeholder groups expressed similar sentiments, highlighting the importance of understanding the company's business model to give context to both financial and sustainability data.. It was also suggested that the internal process of reviewing the company's business model, and of assessing the strategic significance of stakeholder relationships and and

the full range of issues, including sustainability issues, has a key role to play in promoting more integrated thinking across the company.



“Integrated reporting is a great way to show how stakeholder engagement and inclusiveness is impacting on the financial and economic decision making of a company.”

Joris Oldenziel (Head of Stakeholder Engagement) – Bangladesh Accord Foundation

PRESENTING THE BUSINESS MODEL: TOWARDS BEST PRACTICE

Recognizing the importance of addressing this current gap, participants and panellists shared and reviewed various approaches to presenting company business models. Suggested core elements to include in a meaningful presentation of the business model include providing descriptions of the company's customer value proposition, profit formula (noting the core revenue streams and cost structure), value chain activities, and strategic partners and critical resources (see Box 3).



Box 3 – Presenting the business model: Recommendations for best practice

Informed by the CLGir discussions and the findings of the company peer review process, the CLGir members identified the following issues as being important elements of a company's description of its business model in its integrated report:

- › **Customer value proposition:** a brief description of the *value the company provides* to customers, through its products or services, that is intended to distinguish it from its competitors.
- › **Outputs:** the company's *products and services*, as well as the nature of its *customer base*.
- › **Key activities:** the company's key activities undertaken across its *value chain* to deliver the customer value proposition.
- › **Profit formula:** the company's core *revenue streams* and *cost structure*, noting opportunities for competitive differentiation in each of these areas.
- › **Capital inputs:** the primary *resources* and critical *relationships* needed to deliver the company value proposition, recognizing the interdependencies between these resources and relationships and the company's value proposition.
- › **Outcomes:** the significant *impacts* of the company's activities on the capital inputs (financial, manufactured, human, social and relationship, and natural), recognizing the inter-connectedness between these impacts and the company.
- › **Forward-looking perspective:** reflections aimed at showing that the business model is *resilient* against future challenges, given the nature of the current and anticipated *operating context*.



Box 4 – Business model: Participant case studies

Informed by the participants' peer review process, the following examples of 'business model' descriptions were selected for the purposes of this publication. These examples each demonstrate the influence of the IIRC's International <IR> Framework in structuring descriptions, and reflect some of the common challenges that companies face in presenting their business models.



Coca-Cola Hellenic Bottling Company

→ [2015 Integrated Annual Report](#)

The company business model diagram is informed by the guidance provided in the IIRC's International <IR> Framework. Their diagram comprises:

- An overview of the capital inputs required to create value, using the IIRC's six capitals and cross-referencing sections of the report where more detail is provided.
- A brief review of the activities taken to add value.
- An overview of some of the ways in which value is created (with quantitative indicators) and a high-level qualitative summary of how value is shared with stakeholders.



ING

→ [2015 Annual Report](#)

ING's overview of how the company creates value includes a brief review of the role and activities of banks, and a high-level assessment of how they create value for society across the six capitals. ING's business model diagram summarizes the 'value in' and 'value out' (with some summarized quantitative data), and provides concise reflections of three key activities that contribute to value creation.



Box 4 – Business model: Participant case studies (Continued)



Munich Airport

→ Integrated Report 2015

Munich airport's business model graphic is similarly informed by the guidance in the IIRC's International <IR> Framework. The diagram:

- References the six capital inputs and impacts, with further details on the interaction with the capitals provided later in the report.
- Includes a brief description of the business units and a sample of their respective activities.
- Provides a high level quantitative summary of the company contribution to each of the six capitals.

2.3 Materiality: Focusing on what matters

Identifying and disclosing the issues that are of interest to the reporting company's target audience is critical to ensuring a corporate reporting process that is of strategic value. Reaching agreement on the material matters to include in the report requires the reporting company to be clear on the underlying purpose of the report, the targeted report users and the

assessments and decisions these users may wish to make based on the report. Informed by this understanding, the next step is to identify and prioritize material issues that should be included in the report to fulfil the underlying purpose, and to meet the relevant information needs of the targeted report users.

This is the function of the materiality process – a critical step in the overall integrated reporting process, on which the CLGir members identified several key questions and challenges (see Box 5).

Box 5 – Materiality: Questions and challenges

Reflecting on their most recent integrated reporting processes, and on the outcomes of the stakeholder panel discussion, participants identified various questions and challenges relating to the materiality processes for the integrated reports:

- › How does one ensure the involvement of executive and management representatives in the process?
- › Is a separate stakeholder engagement process required explicitly as part of the materiality process, or should the company rely predominantly on existing engagement activities?
- › What are the most appropriate information sources to be used to inform the materiality process?
- › For larger companies, how does one most effectively aggregate the different lists of material issues from local operations and divisions into a unified list at a corporate level?
- › How does the company agree the appropriate threshold level – where should one draw the line and leave things out? And to what extent is there typically alignment between what is reported and what is identified as material?
- › Is there merit in using a materiality matrix or is it more appropriate to simply list the identified material issues?



MATERIALITY AND THE REPORTING FRAMEWORKS

The CLGir discussions on materiality were informed by peer review of the participating companies' respective materiality approaches and challenges, and by various stakeholder panel discussions. In one of these panels, representatives from GRI and IIRC outlined the respective approaches and associated implications of each of these reporting frameworks.

MATERIALITY AND GRI STANDARDS: IMPACTS AND INTERESTS

GRI deliberately casts a wide net in identifying the scope of material issues for sustainability reporting. This is aligned with the suggested underlying purposes of a sustainability report: to promote disclosure on the organization's social and environmental impacts, and to be responsive to the interests of all of the company's key stakeholders. According to GRI Standards, the report should cover all aspects that "reflect the organization's significant economic, environmental and social impacts, or that substantively influence the assessments and decisions of stakeholders." This approach explicitly provides for both these perspectives: while there is seen to be an overlap between significant impacts and the issues that could substantively influence stakeholder decisions, not all issues that influence stakeholders necessarily relate to the organization's significant impacts. In highlighting the importance of stakeholder interests, GRI explicitly provides for all of the organization's potential stakeholders. Significantly, GRI Standards focus on the organizations' impacts on sustainable development, rather than on the sustainability of the organization.

MATERIALITY AND IIRC FRAMEWORK: VALUE CREATION

The approach to materiality adopted in the IIRC's International <IR> Framework differs both in terms of the proposed purpose of the report (to explain how an organization creates value over time) and its primary target audience (providers of financial capital). Informed by these perspectives, the International <IR> Framework suggests that a matter is material if "it could substantively affect the organization's ability to create value over the short, medium and long term." While the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time, the report should be of benefit to all stakeholders interested in an organization's ability to create value. Although the International <IR> Framework focuses on the entity's longer-term prospects rather than explicitly on its contribution to sustainable development, the Framework makes it clear that the ability of an organization to create value for itself is linked to the value it creates for others, and thus by implication requires an informed appreciation of the organization's sustainability impacts.

The different approaches to materiality outlined in these two frameworks underpins the distinct yet mutually-supporting roles of integrated reporting and sustainability reporting, making it clear that that the International <IR> Framework and GRI Standards are not interchangeable reporting choices. The frameworks are built to meet different reporting needs: the International <IR> Framework to meet the reporting needs of investors, and GRI Standards to meet the broader sustainability reporting needs of all stakeholders.



As noted earlier, it is not possible to produce a meaningful integrated report without having a deep understanding of the sustainability issues, which can be gained by using GRI Standards.

THE MATERIALITY PROCESS: DIFFERENT CORPORATE APPROACHES

The CLGir discussions on materiality revealed that there is no single predefined way in which the materiality process is conducted, with various approaches adopted in terms of the starting point and the presentation of the process outcome.

As suggested by the brief case studies (see Box 6 on page 24), one area in which they differ relates to the way stakeholder interests are identified in the materiality process. Even though the integrated report is typically targeted primarily at providers of financial capital, it is nonetheless important within the integrated reporting process to show an understanding of – and appropriate responsiveness to – legitimate interests of stakeholders. While some materiality processes are driven from the outset by the identification of external stakeholder perspectives, others use stakeholder views towards the end of the process, to confirm the results of a more internally focused strategic analysis. Similarly, while some companies choose to undertake stakeholder engagement specifically for the materiality process, others prefer to use the outcomes of existing engagement activities.

There are also differences in how companies use various reporting frameworks and initiatives to inform the identification of material issues. One of the participating companies, for example, explicitly makes use of the sector-based material

sustainability issues listed in the sustainability accounting standards provided by the Sustainability Accounting Standards Board (SASB). Some reporting companies find this prescriptive listing of material issues to be more useful guidance than the principles-based approach adopted in the International <IR> Framework, in which no specific indicators are proposed. While recognizing that a criteria-based approach provides greater clarity on what to report, several participants and external stakeholders expressed concern that this could become a tick-box exercise, rather than encouraging companies to interrogate how they create value.

Reflecting on these various approaches to materiality, a panellist from the investor community suggested that when it comes to materiality and integrated reporting the company's executives should simply seek to tell report users how they intend to run their business to generate profit into the future, what issues they think are (and will be) impacting on their ability to generate profit and how they will measure their progress in addressing these issues. In so doing, the materiality question solves itself, and in effect should be absolutely aligned with the company strategy.



“RobecoSAM has developed a materiality framework for the questionnaire underpinning the Dow Jones Sustainability Index. This questionnaire is framework neutral, with no preference expressed for GRI, IIRC or SASB, but RobecoSAM seeks alignment where possible in order to make it easier for companies to complete the questionnaire. On materiality we want to see companies undertaking a conscious exercise where they consider:

- *How they identified the material issues, and which issues should be prioritized;*
- *How they can make the link from the material priorities to their business model; and*
- *What the targets and KPIs are for each of the identified priorities.”*

Matthias Narr (Engagement Specialist) – RobecoSAM

BALANCING MATERIALITY AND COMPARABILITY

In addition to the preference to focus the integrated report on company-specific material matters, there are also clear benefits in facilitating comparability – selecting and reporting information in a consistent manner that enables report users to analyse changes in the company's performance

over time and facilitates comparison to other companies. Although usually there is not much conflict between these two objectives, there are times when the material issues identified differ, both year-on-year within a company and in a given year between companies.

There is perceived value in some reporting frameworks and initiatives in terms of promoting comparability, as long as this does not result in a simple criteria-based tick-box exercise at the expense of a more meaningful review of the company's value creation process and company-specific impacts.



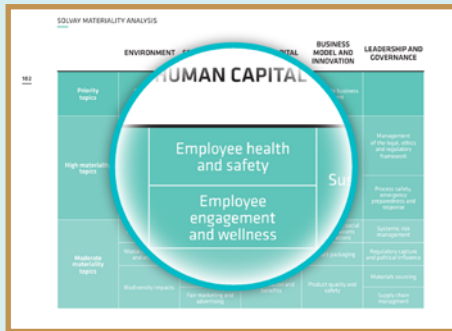
“There is a question of materiality, but there is also a question of comparability. Companies should provide investors with information to allow them to make their own judgments. Data needs to be standardized and reported in a comparable way. In that sense, GRI and IIRC have real value because they bring consistency to the way companies describe the sustainability of their organizations for investors.”

Andy Howard (Head of Sustainable Research) – Schroders



Box 6 – Materiality: Participant case studies

The following case studies, identified as part of the participants' peer review process, provide a useful overview of some of the different approaches to materiality adopted by leading companies.



Solvay

→ [2015 Annual Report](#)

Solvay uses the Sustainability Accounting Standards Board (SASB) approach, as they believe that this offers “an initial exhaustive, validated list of material issues”. The following three tests are then applied to prioritize issues, resulting in a list of 12 ‘highly material’ issues, and an associated set of indicators:

- *Evidence of interest*: whether an issue appears in publications by or about the company or sector.
- *Evidence of financial impact*: assessing impact on growth, margin, profitability and costs.
- *Forward-looking adjustments*: whether an issue will become more important over time.



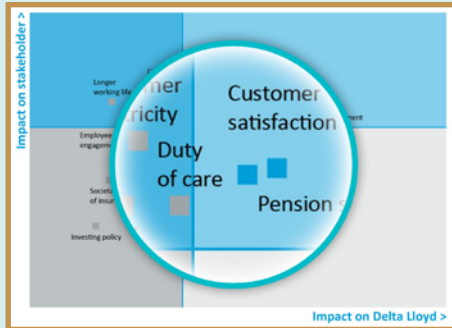
Norsk Hydro ASA

→ [Annual Report 2015](#)

Hydro's materiality analysis of extra-financial topics is based on the company's continuous stakeholder dialogue, and collected and evaluated internally by specialists and leaders. The analysis also takes into account Hydro's risk management and business strategy processes. The materiality analysis is updated annually and approved by Hydro's Corporate Management Board. The most material aspects are all included in the board of directors' report, which gives a high-level overview of Hydro's strategic direction, strengths and challenges for financial as well as extra-financial topics. The information is presented together with other material information in more detail in other parts of the annual report, including in the Environmental and Social statements and their notes.



Box 6 – Materiality: Participant case studies (Continued)



Delta Lloyd

→ Annual Review 2015

The company's materiality process comprises the following steps:

- Collecting material topics from internal stakeholders and desk research on issues covered in the media, peer reports and related publications.
- Gathering this information into a long list of material topics, and narrowing this down to 14 topics, ranked in terms of their perceived impact on the company and its stakeholders.
- Undertaking an independent online survey asking customers, financial advisors, investors, employees and journalists to determine the impact of these topics on the company, stakeholders and society, with the results presented in a matrix.



Nestlé

→ Nestlé in Society: Creating Shared Value 2015

Nestlé works with an independent organization to plot environmental, social and governance issues of concern based on extensive stakeholder consultation. The findings are placed in a matrix and used to determine the associated risks and opportunities for Nestlé's reputation, operations and finances. The resulting 19 material issues and sub-issues are also mapped in terms of their impact across the company's value chain. The materiality assessment is used to refine the company's strategic commitments and to inform the contents of their report *Nestlé in Society*. The materiality matrix is published in both the summary (part of their *Annual Review*) and full versions of the *Nestlé in Society* report, with an explanation of how Nestlé uses the materiality exercise to identify areas in need of further attention.



Box 7 – Materiality: Recommendations for best practice

Informed by the CLGir members and stakeholder panel discussions and the findings of their peer review process, the participants identified the following issues as being important elements of a company's materiality process for the purposes of its integrated report:

- 】 **Consistent understanding and definition of materiality** from the start of the process; this requires clear agreement on the intended target audience and the underlying purpose of the integrated report.
- 】 Clearly agreed **process steps** for identifying and prioritizing the potential material issues and for agreeing the nature and level of disclosure on each of these issues.
- 】 Meaningful **involvement of the executive** and senior management representatives in the materiality decision-making process.
- 】 Using **multiple sources** to identify and prioritise the material issues, including:
 - 】 The company's *business model* – its value creation process, critical inputs, operating context and significant impacts.
 - 】 Internal and external *stakeholder perspectives* (including those of silent stakeholders), informed by a clear listing of priority stakeholders.
 - 】 The outcomes of internal *risk analysis* and assessment processes.
 - 】 Benchmarking against agreed *industry peers, relevant standards* and other relevant materials.
 - 】 The company's current and anticipated *strategy* over the short, medium and long term.
- 】 A clear relationship between the company's materiality process for its integrated report, and its **strategy setting** and review processes, as well as between the resulting material issues and the company's key performance indicators and targets.
- 】 Appropriate **disclosure of the materiality process**, noting in particular how those charged with governance have been involved in identifying, prioritizing or validating material matters.

2.4 Stakeholder engagement: Building trust, informing strategy



“In our engagements with companies, a key expectation for Oxfam is transparency. Transparency is essential to building trust: it’s a basis for a conversation and demonstrates accountability. Our Behind the Brands initiative is entirely based on publicly available information. Therefore to score highly a company must demonstrate transparency in its reporting.”

Danielle Smith (Private Sector Team) – Oxfam GB

Being responsive to the material interests of key stakeholders underpins integrated thinking and is critical to an effective integrated reporting process. Done effectively, stakeholder dialogue contributes to building mutual trust and is an essential input to the company’s strategy development process. All CLGir members recognized it as a critical activity, but most also identified challenges, both in terms of their practice and their disclosure on stakeholder engagement (see Box 8 on page 29).

STAKEHOLDERS AND REPORTING: A MISSING LINK?

A concern often voiced by reporting companies is that too few of their targeted stakeholders appear to be reading their reports. Recent GRI engagement with different stakeholder groups suggests that there may be good cause

for such concern, particularly when it comes to sustainability reporting. In one of the CLGir sessions, a GRI representative shared their recent experience in training more than 500 people from developing countries on the potential value of using sustainability reports. While most of the participants – comprising representatives from NGOs and local communities, journalists and investors – knew about sustainability reporting, very few of them identified themselves as the intended audience for those reports; most had never been involved in a reporting process or voluntarily made use of such reports. Most of these stakeholders tended to be very focused on one or two specific issues and when shown a materiality matrix they would look for a specific issue to see where it was ranked and note the nature of the company disclosure (if any) on that issue in their region. A common theme arising in these stakeholder workshops was a disconnect between what the stakeholder saw as a local material issue and the level of company disclosure on that issue.

In reviewing typical corporate practice on the interface between annual reporting and stakeholder engagement, participants identified two broad approaches: undertaking new engagement processes specifically for the purposes of the annual report, and building on existing stakeholder engagement channels to develop more constructive relationships and to co-create solutions. It was agreed that the second of these is a more three-dimensional approach to stakeholder engagement, which GRI Standards are trying to encourage, and that external stakeholders are generally much more likely to invest time and energy in engaging with companies as part



of a reporting process if they already have a relationship with that company.

CLGir members acknowledged that while many companies have extensive engagements with stakeholders in their day-to-day operations, these are seldom properly leveraged for their reporting activities. This reflected the stakeholder experiences described by GRI's representative, who found that many stakeholders felt their various interactions with the company were generally not well reflected in the actual report. This suggests a lack of connection between the various stakeholder interaction points in daily business and the reporting process. The CLGir members broadly agreed that if they are not able to properly capture the outcomes of existing stakeholder dialogues, they would not have a sufficient appreciation of what they should report on and that without this, there is little sense in running a stakeholder dialogue merely for the sake of the annual report.

MAPPING STAKEHOLDERS AND INTERESTS... OR INTERESTS AND STAKEHOLDERS?

In reviewing their current disclosure practices on stakeholder engagement, participants considered the distinction between listing the various interests of each stakeholder group (the approach currently followed by most companies), or identifying the company's most material issues (as determined by management with consideration of stakeholder views) and then mapping where different stakeholders stand against each of these issues. Most participants suggested that while the second approach is well suited for issues management and informing strategy, it was less appropriate for reporting purposes.



"It is understandable that companies may be hesitant to report about negative impacts because they may be opening up themselves to criticism, but stakeholders want more reporting on actual problems companies face, and how they are being addressed, even if all of them are not immediately solved. It would also be helpful for stakeholders to know how their involvement has impacted the company's decisions and what the outcome of their involvement is, rather than simply the fact that they have been involved."

Joris Oldenziel (Head of Stakeholder Engagement) – Bangladesh Accord Foundation



Box 8 – Engaging stakeholders for integrated reporting: Common challenges

Reflecting on the stakeholder engagement processes undertaken as part of their most recent reporting processes, CLGir members identified the following broad set of challenges that they – or their peers – might face when seeking to engage in dialogue with stakeholders and in disclosing the outcomes of any engagement:

- ▶ **Internal culture:** Many companies lack the necessary culture for full transparency and genuine dialogue, and often face pockets of strong internal resistance that push against open engagement or publicly disclosing stakeholder criticism and examples of poor performance. Engaging in frank dialogue with sometimes harsh critics requires a genuine willingness to listen and an openness to rethinking traditional business assumptions; it is generally time consuming and can be resource intensive.
- ▶ **Engagement in silos:** There is often a challenge in ensuring appropriate coordination of engagement activities and stakeholder feedback mechanisms across different departments. Larger companies often struggle to find the right balance between empowering business units to engage directly and in a timely manner with stakeholders on the one hand and ensuring full consistency with any corporate public relations protocols or executive-level personal relationships on the other.
- ▶ **Differing contexts:** For global companies, it is often difficult to access reliable stakeholder information from their local sites across different countries and regions given the strong temptation for most business units to play down any strongly voiced stakeholder concerns. Conducting a press analysis to assess the views of stakeholders in operations in different countries is not always useful, particularly in regions that lack an open media culture and/or a critical civil society.
- ▶ **Stakeholder representation:** Identifying the most appropriate stakeholder representatives with whom to engage often proves challenging. While this may be easy for certain stakeholder groups, such as investors or labour unions, it is generally more contentious when engaging with local communities or in identifying the 'right' NGO to engage on a specific issue. With companies often engaging professional stakeholders as part of their materiality analysis (as these stakeholders generally know the issues and can give informed feedback), there is a risk that they do not always reflect the views of those directly impacted.
- ▶ **Stakeholder responsiveness:** Another significant challenge is finding appropriate means for interacting with silent stakeholders, including those who refuse, as a matter of principle, to engage with the company in the belief that doing so may provide unwarranted legitimacy. There is also the risk of 'stakeholder fatigue', with more frequently consulted stakeholders often reluctant to engage in additional processes.



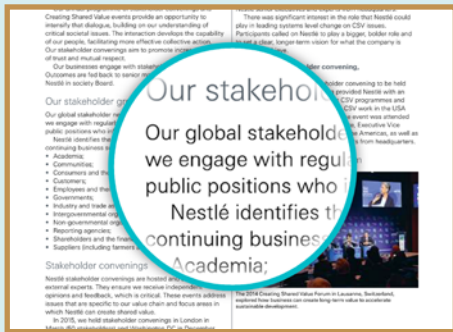
Box 9 – Improving disclosure on stakeholder engagement in the integrated report

Informed by the CLGir members and stakeholder panel discussions, and the outcome of their peer review process, participants recommend that the following issues relating to stakeholder engagement should be included as part of a company's integrated reporting disclosure:

- › Overview of the company's **management approach** to engaging stakeholders.
- › Identification of the **priority stakeholders** and the basis for identifying these stakeholders.
- › Brief details on the nature and frequency of **stakeholder engagement activities**.
- › Relevant outcomes of these engagements, reflecting the **priority interests of key stakeholders**.
- › Full disclosure of **stakeholder perspectives on company performance** on material issues.
- › Evidence of the **company's responsiveness** to material stakeholder interests and perspectives across the company's full value chain.



Box 10 – Stakeholder engagement: Participant case studies



Nestlé

→ Nestlé in Society: Creating Shared Value 2015

Nestlé runs an annual program of ‘stakeholder convenings’ and ‘Creating Shared Value events’ to deepen their understanding of societal issues and promote increased levels of mutual trust with stakeholders. The independently hosted convenings, attended by representatives of NGOs, academia, government and international organizations, address issues specific to the company’s value chain and focus areas. In addition, Nestlé hosts a biennial Creating Shared Value Global Forum that brings together global development and business experts. Recommendations from these engagements are summarized in the report *Nestlé in Society: Creating Shared Value*, and further inform the identification of their material issues. Additional external input is provided through the Nestlé Creating Shared Value Council and Nestlé Nutrition Council. Details on these engagements are provided in *Nestlé in Society: Creating Shared Value* with a cross-reference to the *Nestlé Annual Review*.



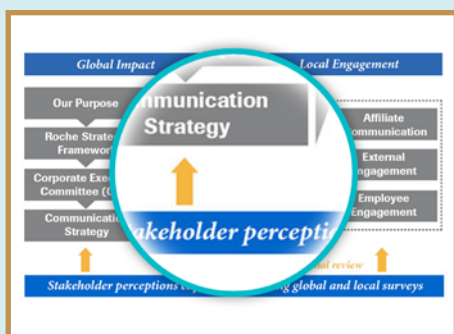
Coca-Cola Hellenic Bottling Company

→ 2015 Integrated Annual Report

The company gathers stakeholder input from all of the 28 countries in which they operate, with different departments across these countries interviewing a sample of their core stakeholders. The outcomes are channelled into a group-level database of 360 stakeholders, which serves as an input to the company’s overall materiality analysis. In addition, the company organizes an annual stakeholder forum, where they invite up to 30 stakeholders from different groups for roundtable discussions. The company publishes a series of ‘issue briefs’ on the identified material issues. These external engagements are complemented with an internal survey of the top 300 management representatives, as well as by numerous stakeholder partnerships.



Box 10 – Stakeholder engagement: Participant case studies (Continued)



Roche

→ 2015 Annual Review

In addition to using conventional communication channels, the company participates in structured stakeholder meetings, forums and other events, and undertakes regular consultations and surveys. A systematic process is in place to capture stakeholder concerns at the local level and channel these to the global list of strategic communication priorities. An annual Sustainability Forum is held, where more than 80 internal stakeholders and some external experts review recent developments in the company and health sector.



Aramex

→ 2015 Annual Report

In compiling their latest annual report, Aramaz held a series of multi-stakeholder workshops in four of their main markets (Egypt, Dubai, Saudi Arabia and India) which was used to guide their sustainability goals and priorities, and inform the selection of material issues for the report. The report includes a review of the engagement approaches, their frequency and the identified material priorities of each key stakeholder group.



DNV GL

→ NEXT Sustainable Business

In 2015, in partnership with the UN Global Compact, DNV GL undertook interviews with 30 “forward-thinking, progressive and inspiring people” on what’s next for sustainable business: “the next great challenges, the next great leaps and the next great pioneers in the movement for sustainable business.” The outcomes have informed their internal strategy development and reporting processes.

3. Continuing the discussions

The 18 months of interaction within the GRI CLGir have shed valuable light on some of the common challenges that leading reporting companies and sustainability practitioners are facing as they seek to leverage their existing sustainability activities to promote integrated thinking and reporting across their organizations. The CLGir members' sharing of approaches to addressing these challenges, the facilitated panel discussions with external experts and stakeholder representatives and the internal peer review of participants' most recent reports have all proved useful in helping CLGir members to further improve their reporting processes.

Despite this valuable progress, there remain continuing challenges and opportunities for improvement. To address these, and to further global efforts to promote integrated reporting (which is the cycle of integrated thinking and reporting), GRI and the International Integrated Reporting Council will collaborate on the GRI's CLGir 2017 program, building on the effective format in which the participating companies have shared their experiences and identified common solutions.

Based on feedback from the current CLGir members, the GRI's CLGir 2017 program will seek to answer questions such as:

- How companies can improve their approach to the cycle of integrated thinking and reporting by leveraging GRI Standards and the <IR>

Framework to embed sustainability into heart of operations and business strategy.

- How reporting companies can use GRI Standards and the <IR> Framework to demonstrate integrated thinking and communicate how value is created across all relevant capitals.
- How companies can identify and design appropriate disclosures that demonstrate performance against strategy, and that show the impacts on capitals that affect the ability to create value over time.
- How a company's integrated report can have a meaningful influence on investors' understanding of the business and positively influence demand for performance information across the relevant capitals.

The Leadership Labs of the upcoming 2017 program will include at least the following elements:

- Peer learning and feedback as a core component
- Participation of experts and thought leaders from across GRI's global multi-stakeholder network
- An even split between in-person and virtual meetings
- A minimum of 4 Leadership Labs a year



FURTHER READING

- ACCA (2014) *South African institutional investors' perceptions of Integrated Reporting*
- ACCA (2016) *Mapping the sustainability reporting landscape: Lost in the right direction*
- Corporate Reporting Dialogue (2015) *The Landscape Map*
- Corporate Reporting Dialogue (2015) *Statement of Common Principles of Materiality*
- EY (2015) *Tomorrow's Investment Rules 2.0 Emerging risk and stranded assets have investors looking for more from nonfinancial reporting*
- GRI (2013) *The sustainability content of integrated reports: A survey of pioneers*
- GRI (2015) *Sustainability and Reporting Trends in 2025: Preparing for the Future (GRI's Reporting 2025 Project: First Analysis Paper, May 2015)*
- GRI (2015) *Sustainability and Reporting Trends in 2025: Preparing for the Future (GRI's Reporting 2025 Project: Second Analysis Paper, October 2015)*
- GRI (2016) *The Next Era of Corporate Disclosure (Digital, Responsible, Interactive)*
- GRI & RobecoSAM (2015) *Defining Materiality: What matters to reporters and investors*
- IFAC IIRC (2015) *Materiality in Integrated Reporting*
- IIRC (2013) *International <IR> Framework*
- IIRC (2016) *Creating Value: Integrated Reporting <IR> and investor benefits*
- IIRC & Black Sun (2014) *Realizing the benefits: The impact of integrated reporting*
- KPMG (2015) *Currents of change: The KPMG Survey of corporate responsibility reporting 2015*
- KPMG (2016) *Room for improvement: The KPMG survey of business reporting: Second edition*
- KPMG, GRI, UNEP, USB (2016) *Carrots and Sticks: Global trends in sustainability reporting regulation and policy*
- Nielsen, C. & Roslender, R. (2015) *Enhancing financial reporting: the contribution of business models, The British Accounting Review*
- PWC (2015) *Searching for buried treasure: A review of 2015 strategic reporting practices in the FTSE 350*
- SAICA (2015) *Integrated Thinking*
- SustainAbility (2015) *See Change: How transparency drives performance*



The Corporate Leadership Group on integrated reporting

As the pioneer of sustainability reporting over the last two decades, and the global standard setter for sustainability disclosure, GRI has a central role to play and a duty to contribute actively to the international dialogue on integrated reporting. GRI believes that integrated reporting, which incorporates appropriate material sustainability information equally alongside financial information, provides reporting organizations with a broad perspective on risk.

To underline its commitment in this area, GRI convened a group of advanced reporting organizations to form the Corporate Leadership Group on integrated reporting (CLGir). The principal aim of the group has been to stimulate discussion on how to leverage existing robust sustainability practice for the purpose of integrated reporting, and to identify opportunities for integrating sustainability information into the corporate decision making cycle.

The CLGir has convened a series of Leadership Labs, comprising in-person meetings at GRI's head office in Amsterdam and online sessions. The CLGir has proven itself effective in spurring

on conversations about integrated reporting and provided many benefits to its members:

1. An opportunity to develop practical methods for improving reporting processes and communications approaches
2. Access to relevant and critical feedback from peers also conducting integrated reporting
3. Direct contact with experts and thought leaders in both sustainability and integrated reporting
4. The chance to play an active role in the international conversation about integrated reporting

GRI and the International Integrated Reporting Council will collaborate on the GRI's CLGir 2017 program.



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This publication reflects the work of the Corporate Leadership Group on integrated reporting in the Leadership Labs that took place in 2015 and 2016. GRI would particularly like to thank all GRI Corporate Leadership Group members* for their investment and collaborative approach. Their experience as leading reporting corporations is a great source of inspiration for GRI and hopefully also for others.

*Representatives of the CLG company members: Eda Pogany, *Coca-Cola HBC* – Michel Washer, *Solvay* – Vera Stelkens and Monica Streck, *Munich Airport* – Hilary Parson and Marian Fernando, *Nestlé* – Ursula Fischler-Strasak and Emmanuelle Probst, *Hoffman-LaRoche* – Kirsten Margrethe Hovi, *Norsk Hydro* – Antonio Astone, *DNV GL* – Meike Proost and David

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ABOUT GRI

GRI is an international independent organization that has pioneered corporate sustainability reporting since 1997. GRI helps businesses, governments and other organizations understand and communicate the impact of business on critical sustainability issues such as climate change, human

rights, corruption and many others. With thousands of reporters in over 90 countries, GRI provides the world's most trusted and widely used standards on sustainability reporting, enabling organizations and their stakeholders to make better decisions based on information that matters.

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