

Content of Integrated Report

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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.

Integrated reporting is part of an evolving corporate reporting system. «Financial statements on their own do not tell the whole story of a company's performance. It is encouraging that companies are increasingly reporting on their environmental impacts, employee-related issues and corporate social responsibility issues», noted Larissa Clark [1], of EY Africa's Professional Practice.

An integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value over the short, medium and long term [2]. Financial and non-financial information are integrated in one report. Differently from other forms of reporting, it is not an additional but rather an overall and holistic component of the system.

The first integrated reports were published in the early 2000s by corporate pioneers that did not have generally accepted standards or a common framework to guide the preparation of their reports. The International Integrated Reporting Council (IIRC) released the International Integrated Reporting Framework in December 2013 to provide organizations with guidance on the content of an integrated report. Revisions to the <IR> Framework were published in January 2021 to enable more effective reporting. However, there is no standard format for an Integrated Report and no specific disclosure requirements. Instead, the IR Framework establishes Fundamental Concepts, Guiding Principles and Content Elements governing the preparation and presentation of an integrated report.

Integrated Reporting is being adopted all over the world. Since the IIRC was formed with the support of the International Federation of Accountants (IFAC) in 2010, the number of organizations using integrated reports to communicate their value creation story has increased, with now more than 2,500 businesses in over 70 countries implementing integrated reporting [3].

An integrated report aims to provide insight about:

- The external environment that affects an organization.
- The resources and the relationships used and affected by the organization, which are referred to collectively in the Framework as the capitals (financial, manufactured, intellectual, human, social and relationship, and natural).
- How the organization interacts with the external environment and the capitals to create, preserve or erode value over the short, medium and long term.

An integrated report includes eight Content Elements, posed in the form of questions to be answered (table 1).

Table 1. Content Elements of an Integrated Report

Content Elements	Questions to be answered
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	Where does the organization want to go and how

resource allocation	does it intend to getthere?
Performance	To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on thecapitals?
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?

Source: preparedbytheauthors using[2]

The Content Elements are fundamentally linked to each other and are not mutually exclusive. The order of the Content Elements as listed here is not the only way they could be sequenced.

The content of an organization’s integrated report will depend on the individual circumstances of the organization. TheContent Elements are therefore stated in the form of questions rather than as checklists of specific disclosures.

The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates, preserves or erodes value over time. It therefore contains relevant information, both financial and other.

Anintegratedreportbenefitsanyonewho’sinterestedinanorganization’sabilityto createvalue. Thisincludes, butisnotlimitedto, providersoffinancialcapital. Employees, customers, suppliers, businesspartners, localcommunities, legislators, regulatorsandpolicy-makersmayalsohaveaninterestinanorganization’sintegratedreport.

References

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