

## REPORTING

# MULTI-CAPITAL THINKING IS MORE IMPORTANT THAN EVER

The Covid-19 pandemic exposed to an even greater extent how important integrated reporting is in helping to build trust and understanding with investors, employees and customers, as well as other key stakeholders. This article makes the case for why multi-capital thinking is now more important than ever.

*By Charles Tilley*

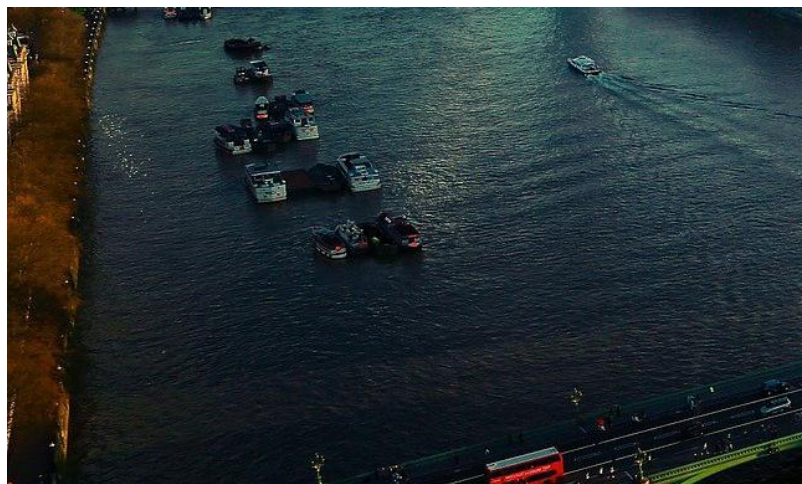
*Chief Executive Officer, International Integrated Reporting Council*

**A**t the International Integrated Reporting Council coalition (IIRC), we have always believed there is no clear-cut distinction between information that is ‘financial’ and information that is ‘non-financial’.

Our work with businesses and investors has led us to conclude that information must be considered in the round to be truly understood and used strategically.

We all make trade-offs every day that impact the resources and relationships within our business. The COVID-19 pandemic has made this more apparent than ever

before. Almost overnight, businesses had to prioritise employee and customer well-being over profit, had to ensure they had the right manufactured capital in place for their teams to work effectively from home – or if that wasn’t possible – keep to a safe distance within the workplace.



They had to reach out to their communities and play a role in keeping society going, and in some extreme cases, pull heavily on their intellectual capital to re-purpose their entire business model.

## **Integrated Reporting helps to build trust**

Integrated reporting helps organisations produce concise reports that focus on the unique value creation story of that organisation, helping to build trust and understanding with investors, employees and customers, as well as other key stakeholders.

The process of creating the report ensures the organisation is thinking collectively and strategically about the resources and relationships (what we call the capitals) they use or effect to create value over the short, medium and long term.

It focuses the business to consider the risks and opportunities within their business model and how they can manage their capitals effectively. Businesses we work with have told us that integrated thinking and reporting had prepared them to meet these challenges as they already had a good understanding of the interplay and connectivity of the capitals they use and affect.

We are working with businesses to provide case studies of how they have put this integrated thinking into action.

The case studies will detail the efforts these businesses have made to connect the organisation's strategy, governance, performance and prospects.

They will outline how the organisation drives connectivity between its various operating and functional units and stores of value, and how they use integrated thinking to improve decision-making, accountability and communication.



## **Modifications to the International <IR> Framework**

COVID-19 has made the work we do at the IIRC all the more relevant and reinforced the need for us to maintain a high-quality framework for reporting that can deliver responsible capitalism and sustainable development.

As such, we have been overwhelmed by the response to our consultation on modifications to the International <IR> (Integrated Reporting) Framework that we ran earlier this year, with over 1,000 individuals joining 21 roundtables hosted by our partners across the world to share their thoughts.

We asked questions around how to ensure businesses are reporting effectively on their outcomes and impacts – both positive and negative, and put forward recommendations for how those charged with governance should take responsibility for the integrated report. We are currently busy reviewing the responses to the consultation and the revised International <IR> Framework will be published early in January 2021.

We also took the opportunity to ask some more fundamental questions about integrated reporting that the IIRC will consider over the longer term, such as the primary purpose of an integrated report, how we might provide deeper insights into the integrated thinking that goes into the preparation of the report, and the role of technology and assurance.

We also asked whether report writers and users would welcome the IIRC publishing, which is a list of authoritative sources of indicators and methodologies across the six capitals identified in the International <IR> Framework.

We asked this question in response to the confusion we understand that there is around the corporate reporting landscape currently and how report preparers can use the range of standards and frameworks on offer to report effectively and robustly.

## **A holistic corporate reporting system**

Key to the IIRC's strategy over the coming years is to help deliver a cohesive, holistic corporate reporting system and we are committed to working closely with our partners in the field to achieve this.

The International <IR> Framework has an important role to play in driving connectivity between different strands of reporting. Organisations can underpin their integrated reports with robust data that is guided by the metrics and indicators provided within reporting standards across the capitals – including the already widely used financial and ESG standards.

The IIRC has also identified a gap in the current reporting standards, especially around manufactured and intellectual capitals, which needs to be addressed to report effectively across the value creation chain. We believe a cohesive reporting system is necessary to build trust, to address some of the key risks the world is currently facing, and to rebuild post COVID-19 to deliver responsible capitalism and sustainable development.

There is still much to be done to bring the benefits of integrated thinking and reporting to businesses around the world.

But with adoption already building in over 70 countries, we believe the case for multi-capitalism has been won – our focus now is on making it the business norm.

**CHARLES TILLEY**

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International Integrated  
Reporting Council*

Charles Tilley OBE, CEO, IIRC, spearheads the drive towards a cohesive corporate reporting system and the adoption of integrated thinking and reporting. Previously, Charles was CEO of the Chartered Institute of Management Accountants and has served as CFO of two investment banks.

Since this article was originally published in the Reporting Times N°17 (October 2020), the IIRC has issued revisions to the International <IR> Framework, and has announced its intent to merge with the Sustainability Accounting Standards Board (SASB) as a first step towards building a cohesive, holistic corporate reporting system.