

Realizing the benefits:

*The impact
of Integrated Reporting*

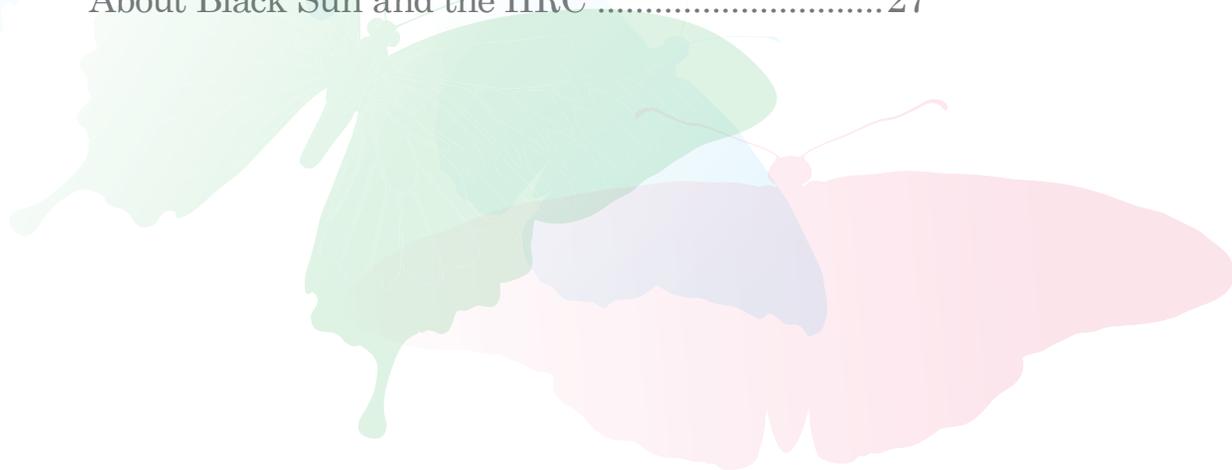


INTEGRATED REPORTING <IR>



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Significant benefits for businesses moving towards <IR>

“ I am delighted to see the very significant positive impact that moving towards <IR> is having on those businesses who have taken a lead on making their corporate reporting and thinking fit for purpose.

The business case for Integrated Reporting is very clear from our latest research, in partnership with communications consultancy Black Sun – “Realizing the benefits: The impact of Integrated Reporting”, which builds on our initial research in 2012.

I am delighted to see the very significant positive impact that moving towards <IR> is having on those businesses who have taken a lead on making their corporate reporting and thinking fit for purpose. They have been market testing the key <IR> concepts as part of our Pilot Programme over the last 3 years. This has ensured that both performance and value creation is better understood by the business itself, their providers of financial capital and their key stakeholders.

With the release of the International <IR> Framework in December 2013, <IR> is now gaining extraordinary global momentum. Our new <IR> Business Network is a key driver going forward to maintain the market relevance of integrated thinking and the integrated report. This is supplemented by other groups including networks for investors, pension funds and public sector pioneers.

It is crystal clear from this new research that adopting <IR> is leading to important breakthroughs in organizations' understanding and articulation of how they create (and destroy) value – a staggering 92% say it has improved understanding of value creation.

This is triggering better ways of assessing performance and changes in information provision – 84% say that data quality has improved. So it's not surprising that so many are also noting important developments in integrated thinking with strategic benefits: 79% are already finding that business decision making has improved; 68% report better understanding of risks and opportunities; and 78% see better collaborative thinking by the board about goals and targets.

<IR> is a journey and it will take more than one reporting cycle to get there. As businesses start to use <IR> as a tool to better understand the connections between key resources and relationships that contribute to their success, and as a result make more informed decisions, the real value of integrated thinking and the integrated report will be realized.

Paul Druckman
CEO IIRC



Key findings

Reporters see internal benefits, including better decision making, as well as positive changes in external relations

Breakthroughs in understanding value creation

As organizations work together differently, and use new information to assess their performance they have a clearer view of how they create value

See section on pp 6

Improving what is measured

Nearly all organizations interviewed said they had either significantly changed what they measured or had plans to do so in the future

See section on pp 9

Positive experiences

All respondents were extremely positive about the impact that their journey towards Integrated Reporting is having

92%

SEE INCREASED UNDERSTANDING OF VALUE CREATION AS CURRENT BENEFIT

84%

SEE A CURRENT BENEFIT REGARDING DATA QUALITY

Strategic benefits

Many noted that the most important benefit they experienced was a change in conversations between the board and management

71%

SEE BENEFIT TO THEIR BOARD OF BETTER UNDERSTANDING OF HOW THE ORGANIZATION CREATES VALUE

71%

SEE A CURRENT BENEFIT OF GREATER FOCUS ON MEASURING THE LONGER-TERM SUCCESS OF THE BUSINESS

Impact on providers of financial capital

Those that have published at least one report found that Integrated Reporting helps to build stronger relationships and better understanding with providers of financial capital

56%

REPORT A POSITIVE BENEFIT IN RELATIONS WITH INSTITUTIONAL INVESTORS

52%

REPORT A POSITIVE BENEFIT IN RELATIONS WITH ANALYSTS

87%

BELIEVE PROVIDERS OF FINANCIAL CAPITAL BETTER UNDERSTAND THE ORGANIZATION'S STRATEGY

79%

BELIEVE PROVIDERS OF FINANCIAL CAPITAL HAVE GREATER CONFIDENCE IN LONG-TERM VIABILITY OF BUSINESS MODELS

Key findings (continued)



Improving management information and decision making

Improvements in decision making were largely attributed to changes in management information

See section on pp 14

A new approach to stakeholder relations

More evidence of Integrated Reporting having an impact on engagements with external stakeholders

See section on pp 17

Connecting departments and broadening perspectives

One of earliest benefits is breaking down silos and increasing respect and understanding between departments

See section on pp 20

79%

REPORT IMPROVEMENTS IN DECISION MAKING

91%

SEE AN IMPACT ON EXTERNAL ENGAGEMENT

96%

SEE AN IMPACT ON INTERNAL ENGAGEMENT

65%

SEE A CURRENT BENEFIT OF BETTER LONG-TERM DECISION MAKING

68%

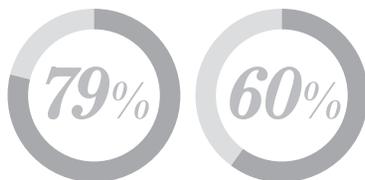
SEE A BETTER UNDERSTANDING OF THE BUSINESS RISKS AND OPPORTUNITIES, PARTICULARLY THOSE WITH LONG-TERM IMPLICATIONS

78%

SEE A CURRENT BENEFIT OF MORE COLLABORATIVE THINKING ABOUT GOALS AND TARGETS BY THE BOARD, EXECUTIVES AND STRATEGY DEPARTMENTS

Stronger benefits after publishing

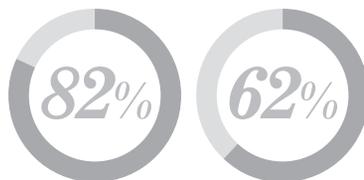
Stronger evidence of change and benefits for organizations that have published at least one integrated report



published

not yet published

SEE BENEFIT TO THEIR BOARD OF BETTER UNDERSTANDING OF HOW THE ORGANIZATION CREATES VALUE



published

not yet published

SEE CHANGE IN PERFORMANCE INFORMATION USED TO MANAGE THE BUSINESS



published

not yet published

SEE POSITIVE IMPACT ON LONG-TERM DECISION MAKING

Key findings (continued)

At Black Sun, we are working closely with the IIRC and reporters to improve corporate reporting. We have worked in association with the IIRC to develop this second research report, 'Realizing the benefits: The impact of Integrated Reporting', which seeks to understand the business case for Integrated Reporting (<IR>), and the lessons learned from the experiences of IIRC Pilot Programme businesses. This report follows an initial research report issued in 2012, which sought to understand the processes companies go through as they move towards <IR>.

“ We have learned a lot. The transition to a more holistic approach to value creation has helped us reflect on our strategy.

William van Niekerk,
Royal BAM Group, Europe

In the last few years, there has been increasing momentum towards better reporting, which has been reflected by the publication of the International <IR> Framework and a dialogue around the world about how to improve the usefulness and transparency of corporate reporting. Our research seeks to contribute to this global dialogue. We focus on organizations that are already shifting towards better integration, although they are at different stages and progressing at different speeds. Our findings clarify the business case for <IR> by providing evidence of the changes and benefits that the journey towards integration is bringing now and is expected to bring in the future. They also reinforce the point that <IR> is in most cases an outcome of, or intricately related to, changes in an organization's approach to value creation and management.

In this second research project with IIRC Pilot Programme organizations, which built on initial research conducted in 2012, 66 organizations responded to a survey about their reporting and management processes, and the impact they have seen from changes they have made on their journey. More than 40% of respondents also participated in follow up interviews, providing both quantitative and qualitative data.

Respondents to the survey and subsequent interviews were generally extremely positive about the impact that their progression towards integrated thinking and reporting is having. In nearly all cases, those respondents representing organizations that have issued at least one integrated report have experienced more benefits from <IR> than respondents from organizations working towards their first report. However, even those organizations at relatively early stages of the journey reported initial benefits from beginning the process.

Of all respondents 91% have seen an impact on external engagement.

- 56% of those that have published an integrated report have seen moderate to significant impact on external engagement
- 19% of those working toward their first integrated report have seen moderate to significant impact on external engagement

Of all respondents 96% have seen an impact in internal engagement.

- 90% of those that have issued an integrated report have seen moderate to significant impact on internal engagement
- 44% of those working toward their first integrated report have seen moderate to significant impact on internal engagement

RELATIONS WITH EXTERNAL STAKEHOLDERS

In this second research survey, we found more evidence of <IR> having an impact on engagements with external stakeholders, including investors. We also found that strengthening relations with external stakeholders is one of the greatest motivations to begin the move toward <IR>.

- 100% of respondents who have issued an integrated report see a change in relations with external stakeholders

Organizations were most likely to see an impact with 'society at large.' Of organizations that have issued an integrated report, 84% reported a change in relations with society.

- 56% reported a positive benefit in relations with institutional investors
- 52% reported a positive benefit in relations with analysts

Key findings (continued)

IMPROVEMENTS IN DECISION MAKING

We found significant evidence of strategic benefits in our research. A large majority of all survey respondents, 79%, reported improvements in decision making. Nearly all, 97%, anticipated future benefits in this area.

Improvements in decision making were largely attributed to changes in management information, particularly information provided to boards.

- 75% of all respondents said that performance information used to manage their organization had changed during the process of <IR>
- 79% of organizations that have issued an integrated report believe that their board benefits through a better understanding of value creation

A number of organizations noted that the most important benefit they experienced was a change in conversations between the board and management.

FOUNDATIONAL CHANGES LEAD TO OTHER BENEFITS

Some of the most common changes reported, and ones seen at early stages in the move toward <IR>, were changes in collaboration within organizations and in data quality.

For some organizations, impact in internal engagement is described as an increase in mutual understanding and respect. Other organizations reported an increase, and broadening, of internal skills.

Most organizations reported that improved data quality was a current benefit of their <IR> journey, with those that have already issued an integrated report and public sector entities the most likely to have experienced benefits in this area.

- 84% of all respondents see a current benefit regarding data quality

Nearly all organizations interviewed said that they had either significantly changed what they measured or had plans to do so in the future.

As organizations work together differently, and use new information to assess their performance, they also experience breakthroughs in how they think about value creation.

- 92% of all respondents reported an improved understanding of value creation as a current benefit

Overall, listed companies were significantly more likely to report that developing a better understanding of value creation over time was a motivation – and benefit – of <IR>:

- 95% agreed that this was a motivation for their <IR> (compared with 55% of public sector entities)
- 97% agreed that this was a benefit that they had experienced from their <IR> pathway (compared with 73% of public sector entities)

Breakthroughs in understanding value creation

- One of the most important and most common benefits organizations experience is a new and better understanding of how they create – or destroy – value

Improving what is measured

- As the understanding of value creation changes, decision making changes

Improving management information and decision making

- New approaches to value creation and decision making require organizations to assess their performance in new ways
- Most organizations reported changes in performance information used by management and in the quality of certain types of data used internally

A new approach to stakeholder relations

- Organizations found that the process of moving toward <IR>, and publishing an integrated report, had an impact on relations with stakeholders
- Reporters believe that providers of capital develop a better understanding of strategy and longer-term objectives

Connecting departments and broadening perspectives

- <IR> changes how organizations report, but also how they work and think about what they do
- Greater collaboration and respect were seen as important benefits



Breakthroughs

*in understanding
value creation*

92%

OF ALL REPORTERS SEE
INCREASED UNDERSTANDING
OF VALUE CREATION
AS A CURRENT BENEFIT

“ Five years ago, if we spoke about value, we would look at our value-added statement. We would look at what is monetized. Now, we look at value added through non-monetized capitals as well.

Suresh Gooneratne, DIMO, Asia Pacific

“ Integrated reporting helps us provide a better picture of the total value we generate for society – not just financial value.

Sven Lunsche, Gold Fields, South Africa



Breakthroughs

*in understanding
value creation*

One of the most important and most common benefits that organizations experience is a new and better understanding of how organizations create – or destroy – value. Communicating about value creation is one of the most important objectives of <IR>, so it is not surprising that this is an area where organizations see dramatic impacts.

Improved understanding of value creation was seen as a benefit for organizations at all stages of integration – 92% saw it as a current benefit.

- 95% of organizations that have published an integrated report see a benefit in the area of value creation
- 88% of organizations that have not yet published an integrated report see a benefit

One listed company noted that the most significant benefit they had experienced from <IR> was the understanding of how non-financial performance is a leading indicator for financial performance. After more than five years of <IR>, the company was still improving its understanding of these links.

Overall, listed companies were significantly more likely to report that developing a better understanding of value creation over time was a motivation for – and benefit of – <IR>:

- 95% agreed that this was a motivation for their <IR>
- 97% agreed that this was a benefit that they had experienced from their <IR> journey, and 25% agreed that it was a significant benefit

In contrast, developing a better understanding of value creation over time motivated only 55% of public sector entities. However, 73% of public sector entities experienced this as a benefit of <IR>.

For one engineering company, the biggest benefit of <IR> has been the ability to look at its business and its value creation process in a new way. This has led to changes in the company’s business management system. In the past, the focus of internal management reporting was the profit and loss statement, or income statement. Today, the company no longer believes all value has to be quantified, much less monetized.

While reporting is only part of the process of integration, a financial services company found that reporting changes thinking and that <IR> has helped change focus within the organization. The company has found the six capitals concept in the International <IR> Framework to be a powerful tool for broadening internal thinking about performance.

See a benefit in value creation



published



*not yet
published*

Breakthroughs

*in understanding
value creation*

Of the organizations that have already produced an integrated report



SEE A BENEFIT TO THEIR BOARD OF BETTER UNDERSTANDING HOW THE ORGANIZATION CREATES VALUE



HAVE MADE MODERATE TO SIGNIFICANT CHANGES IN STRATEGY AND RESOURCE ALLOCATION



HAVE EXPERIENCED MODERATE TO SIGNIFICANT CHANGES IN THEIR THINKING ABOUT THEIR BUSINESS MODEL

IMPACT ON STRATEGY

Our research found that a broader perspective on how organizations create value subsequently leads to changes in strategy, resource allocation and management systems.

Of the organizations that have already published an integrated report:

- 79% have seen a benefit to their board of better understanding how the organization creates value
- 67% have made moderate to significant changes in strategy and resource allocation
- 64% have experienced moderate to significant changes in their thinking about their business model

While understanding of value creation increases with <IR>, for some, the value creation picture can become more complicated. As the view of value creation broadens to include more types of capital and value created for different types of stakeholders, understanding the links and connections between different aspects of value creation can be challenging.

At the core of the organization is its business model, which draws on various capitals (financial, manufacturing, human, social/relationship, intellectual and natural capital) as inputs and converts them, through value creating activities, to outputs such as products, services, by-products and waste. The organization's activities, or value creation processes and its outputs lead to outcomes in terms of effects on the capitals. The capacity of the business model to adapt to changes can affect the organization's longer-term viability. Working with a new view of an organization's business model, inputs and outcomes, stimulated evolution and change for many organizations.

CREATING SHARED VALUE

Understanding and articulating the connections between value created for organizations and value created for others is a particular challenge for nearly all organizations. Of those organizations that have issued an integrated report, 97% describe this as a challenge. Listed companies found this connectivity in value creation more challenging than other types of organizations.

Our research found that some of the strongest links between value created for the organization and value created for others relate to customers and employees. Many organizations noted increased efforts to understand and measure the impact of customer satisfaction and investments in training. At one financial services company, <IR> helped improve understanding of how customer loyalty and human capital are linked to long-term financial performance. The company's 2013 integrated report – its fourth – was organised around its value creation process.

Another area of focus for organizations is trying to ascertain the true societal benefit of products and services that create financial capital. One accounting firm, for instance, is working to assess the impact financial audits have on the stability of capital markets. Integrating key performance indicators to link different types of value creation is a future goal of a number of organizations.

Improving *what is measured*

84%

OF ALL RESPONDENTS SEE A
CURRENT BENEFIT REGARDING
DATA QUALITY

“ The Board was very involved in the process of paring down the company’s KPI structure to focus only on those KPIs that would be useful in decision making and value creation.

Jose Wanderley, Natura, South America

“ Financial reporting is financial reporting, and always will be. Integrated Reporting is using smarter non-financial information and KPIs and integrating these with the financial data to understand the full value that we create.

John Lelliott, The Crown Estate, Europe

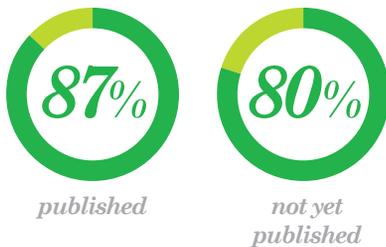


Improving *what is measured*

“ We now need to measure things that we didn't previously need to measure. The challenge is to measure non-financial capitals. You cannot measure the opening and closing balances of knowledge capital, for instance. What can be measured and managed is the flow.

Tim Haywood, Interserve, Europe

Benefits regarding data quality



As organizations develop a better understanding of how they create value and begin changing the information they report internally and externally, measurement is a significant focus area for many.

Improving data quality was a motivation in moving towards <IR> for 68% of the organizations that participated in our research. Most organizations reported that improved data quality was a current benefit of their <IR> journey, with those that have already issued an integrated report and public sector entities the most likely to have experienced benefits in this area.

- 87% of organizations that have published an integrated report have seen benefits regarding data quality, compared with 80% of those in early stages of the <IR> process
- 100% of public sector entities have seen data improvements, compared with 85% of listed companies seeing current benefits in this area

PERFORMANCE INDICATORS

The Framework does not provide guidance on measuring inputs or outputs. It stresses aligning reporting with material issues that are relevant to an organization's business model – the system of transforming inputs, through value creating activities, into outputs and outcomes that fulfil the organization's strategic purposes. The Framework is primarily concerned with external reporting, and not related internal processes, but it notes that quantitative performance information can enhance the effectiveness and usefulness of business model descriptions.

Quantitative indicators of performance, such as key performance indicators (KPIs), are particularly useful in expressing targets and managing performance against targets. An important objective for many organizations is improving the relevance, usefulness and quality of data for intangible assets and capitals other than financial capital. In our research, we found a correlation between those organizations that experienced the most benefit from <IR> and those that reported the most progress in improving data quality and relevance.

We found that when organizations are at early stages of their transition to <IR>, they tend to focus on broadening management systems to include material performance indicators for intangible assets and non-financial capitals. Part of the change in management systems often involves linking these performance indicators to remuneration.

Improving *what is measured*

IMPROVING MATERIALITY AND RELEVANCE

Nearly all organizations interviewed said that they had either significantly changed what they measured or had plans to do so in the future. In the transition to <IR>, a number of organizations found that much of what they had previously measured was not directly related to value creation. Organizations also found that reporting on an integrated view of value creation involves measuring and disclosing new information.

One construction and engineering firm realized that, for some types of capital, they did not have any performance indicators. For others, including human capital, they realized that the performance indicators they had been using did not tie to value creation. Working with the six capitals in the Framework led one privately held company in South America to track and disclose more information about innovation. The innovation is incremental, not disruptive, but constant technological innovation is necessary to reduce costs and increase value added by the company. This was something the company had not previously discussed with stakeholders or publicly disclosed.

Organizations admit that <IR> does not always perfectly align with internal management systems, even when management systems are integrated. Organizations are using the integrated report as an opportunity to articulate their strategy and business model both internally and externally. While this is the least challenging aspect of connectivity, more than 50% of organizations that have issued an integrated report still find connecting internal and external reporting to be a moderate or significant challenge.

Many organizations note that they report information that stakeholders – including investors – request, but not all of this information is seen as meaningful internally. Other organizations make a point of only reporting information that is used to manage the business. Data quality is seen as a particular priority if information is to be used for internal decision making. Executives and boards want to have confidence in the data they rely on.

One financial services company reported that in their efforts to make their reporting more relevant and strategic, they were beginning to push back on requests for information deemed immaterial. This involves an education process, helping investors and other stakeholders understand why the company measures and manages what it does.

CONNECTING DATA AND ALIGNING PROCESSES

We found that for organizations at later stages in the <IR> journey, improving the ability to measure and manage non-financial information with implications for financial capital is a key challenge. It is also seen as the path to improving understanding and decision making. In a number of cases, organizations reported that creating integrated indicators, capturing the interconnections, was an important objective. Many believed that disclosing more and improving connections between reported information was useful for investors as well as employees.

Our research showed that some organizations are hesitant to report non-financial information that is evolving or produced using systems and processes that are less established than financial systems and processes. Other organizations are communicating their path toward improved data and analysis, managing external expectations about a process that many see as difficult, although critical.

One European listed company noted that the idea that financial accounting is ‘bulletproof’ is misleading. Nearly all financial reporting includes estimates. The methodologies for estimating financial information are, however, well established. Part of the maturity of <IR>, and the progression towards better quality data, is firmly establishing data protocols for capitals other than financial capital.





Improving *what is measured*

“ If you are going to use non-financial – or what I call pre-financial data – in management reporting, it’s important that the data is good. We have made significant investments to make sure that we have confidence we can use the data we have for decision making.

**Cora Olsen, Novo Nordisk,
Europe**

Data is a motivating factor



**OF ALL
RESPONDENTS LIST
BETTER DATA AS A
MOTIVATING FACTOR
IN PURSUING
INTEGRATED
REPORTING**

INVESTING IN DATA

Since integrated reporters produce reports in a variety of formats, using a range of processes, the budget impact of <IR> varies. Some companies report limited impact. Most, however, report that as more parts of the organization are involved in reporting, there is a corresponding increase in the internal resources used. A number of organizations volunteered that their reporting costs had increased, in some cases by as much as 50%.

Without exception, organizations saw that the additional costs on reporting indicated they were a worthwhile investment. The investment was seen to bring all the benefits of <IR> with it, including improvements in management and board reporting and more effective strategy and planning processes.

We found that increased investments in more rigorous data were linked to information for capitals other than financial capital, and that these investments were largely anticipated. The majority of survey respondents, 68%, said that improved data quality was one motivation for moving toward <IR>.

Some reporters made significant investments in software for non-financial accounting, and others hired non-financial data and accounting experts. For example, one mining company, has created a three-person non-financial accounting department since beginning the process of <IR>.

Three organizations that have produced multiple integrated reports noted that while investment in reporting increased in the initial stages of <IR>, when new systems were implemented, costs in later years remained stable.

While organizations may spend more to improve data quality, these expenses are for data that is seen as relevant to managing and understanding the organization. A number of organizations, particularly service providers, realized that while natural capital was easy to measure and manage, it was not of primary importance to their value creation processes. One accounting membership body determined that natural resource capital was not highly material to their organization. They disclose this finding in their reporting, and then explain that, while the information is not material, they have chosen to continue to report this information to model reporting on these issues as a service for their members.

As the understanding of value creation changes to include more dimensions, assurance processes are sometimes expanded, which can increase costs. Expanded assurance engagements may also lead to more confidence in data quality, both internally and externally.

Improving *what is measured*

LOOKING AHEAD: MEASURING OUTCOMES

Our research uncovered that in early stages of <IR>, organizations are defining their outcomes or impacts. This is part of the process of thinking about value creation in new ways. As organizations move beyond issuing their first integrated report, they tend to focus on improving their measurement and understanding of their outcomes. Most think of this as a long-term process, one that will be innovative and will have substantial benefits, but will also involve some degree of challenge.

A South American financial services company, for example, has begun the process of interlinking different types of performance. In terms of shared value creation, the company has made a significant investment in financial education. It hopes to understand how this investment relates to the quality of its loan portfolio, and whether the investment will lead to reduced losses and improved client retention.

We found that accounting firms are some of the most focused on measuring impacts and outcomes. This is both to demonstrate thought leadership and to provide information to regulators who mandate the use of audit services. In refining their business model, one accounting firm defined nine impact areas. While their ambition is to measure all nine impacts, they are beginning with three impact areas and have found the process of impact measurement to be a substantial challenge. Gathering primary data to assess outcomes relating to society is one challenge.

Measuring outcomes related to innovation is an area a number of organizations are prioritizing. One chemical company noted that this is where linking value created for society and value created for the organization is most difficult. While it is easy to see how investments in innovation benefit society, only a portion of these investments result in products that create financial benefit for the company. In the long term, the company hopes to better measure and manage the return on innovation costs.

“Integrated Reporting helps us understand the connections (between social value and financial value), but now we are working on this from a data standpoint.

**Denise Gibran Nogueira,
Itau Unibanco, South America**

Future improvements in data quality



OF ALL
RESPONDENTS
ANTICIPATED FUTURE
IMPROVEMENTS IN
DATA QUALITY

Improving

management information and decision making

79%

OF ALL RESPONDENTS REPORTED
IMPROVEMENTS IN DECISION MAKING

“ It has helped us make better decisions. We had found that with stand-alone sustainability reporting there was a push for more reporting from some areas of the business. With an integrated approach, it is easier to stay focused on what is related to value creation.

Emma Sweet, CPA Australia, Asia Pacific

97%

ANTICIPATE FUTURE BENEFITS
IN THIS AREA

“ We have developed a new approach to business strategy incorporating integrated thinking, materiality and our business model. Material issues have to be part of a business planning process, in order to address the things that will impact our business.

John Lelliott, The Crown Estate, Europe



Improving *management information and decision making*

As organizations move toward <IR>, and approach value creation differently, many find that it is important to integrate internal management reporting.

A large majority of all respondents, 74%, reported that performance information used to manage their organizations had changed during the move towards <IR>.

- 82% of organizations that have issued an integrated report have made changes in performance information
- 62% of organizations that have not yet issued an integrated report have already made changes in performance information

Decision making is changing as organizations understand their own value creation processes differently, and make changes to the way that they measure and manage performance. Our research found that a large majority of organizations experienced improvements in decision making. In this case, significant improvements were seen at every stage of the reporting journey.

BENEFITS EXPERIENCED BY BOARDS

A large majority of organizations that have issued an integrated report – 84% – believe the process has had benefits for their board. A number of organizations noted that the most important benefit they experienced was a change in conversations between the board and management.

- 84% of organizations that have published an integrated report have experienced benefits in collaboration between the board and executives
- 68% of organizations that are working towards their first integrated report have seen benefits in collaboration between the board and executives

This improvement in collaboration can be an outcome of board reporting that covers more dimensions of performance, and is more connected.

Public sector entities were more likely to report better collaboration relating to their board than other types of organizations.

Mining and oil and gas companies in particular noted that their boards were receiving more information, and more integrated information. Board reports at one mining company are more extensive and more structured, with a far broader and more holistic view. Before reports go to the mining company's board, senior managers, who have to be familiar with material non-financial performance information, approve them.

Nearly 80% of organizations that have issued an integrated report believe that their board benefits through a better understanding of value creation.

Looking forward, organizations see the greatest future benefit of <IR> for the board is in better decision making. Those organizations that have recently published their first integrated report anticipate the greatest future benefit for their boards.

Changes in performance information



published



not yet published

Benefits in collaboration between the board and executives



published



not yet published



Improving *management information and decision making*

CHANGING MANAGEMENT INFORMATION AND SYSTEMS

Our research also uncovered a range of other management system changes, including expanded board reporting, integration of management dashboards, changes in remuneration systems and changes in planning and budget processes. One pharmaceutical company noted that change in management systems is nearly always incremental. There may be significant change at the beginning of the <IR> journey, but on-going changes are made in management information and systems even in organizations with a number of years of <IR> experience.

Changes in management information and management systems lead to changes in the process and quality of decision making. We found that, of those organizations that have issued an integrated report:

- 79% agree that business decision making has improved
- 79% agree that identifying risks and opportunities has become more effective

At one accounting membership body, monthly management reporting was integrated to provide internal comfort with the integrated information the organization wanted to present externally. The organization's monthly management reporting had previously been primarily financial. A more connected approach to value creation and assessing risks and opportunities has led the organization to a different understanding of the risks it faces.

Our research uncovered numerous examples linking <IR> to improved decision making, including more effective risk assessment, improvements in strategy setting and better assessment of priorities and product and service offerings. Respondents attributed these improvements to a concentrated focus on value creation and efforts to embed integrated thinking for a broader, more holistic view.

DRIVING CHANGE

Organizations told us that their executives and boards see <IR> as timely and as a way to prepare for and address widespread change. Reporters that see the most benefit in the early stages of <IR> are those that are under the greatest external pressure to change, or that are in the midst of the most change.

We found that change is driven both by top management and through the reporting process itself. Many organizations are using the process of <IR> to drive internal change and behaviours. In initial stages, executive and board support may be critical to drive large process changes.

As reporting develops, changes in management processes are sometimes driven by incremental changes in reporting. For instance, one European listed company found that changes in measuring its impact on society led to changes in the company's sales strategy.

Changing the data that is used to measure performance – the first step in <IR> for many organizations – helps to drive change. This was the case at a South American consumer product company, which significantly reduced the number of indicators it reports. The streamlined set of indicators are

more relevant to the business, and are therefore used internally and monitored and managed on an on-going basis. Previously, data that was not material and therefore not part of management systems had been collected annually for reporting, but there was no real confidence in the relevance or reliability of the numbers.

To facilitate change management, the company's human resources department was involved in all board and management meetings where performance indicators were assessed so that the indicators could then be rolled out in performance assessments and compensation plans. This helped to embed integrated thinking, and was a significant internal change.

LOOKING AHEAD: ANTICIPATED MANAGEMENT BENEFITS

Because change in management systems tends to be incremental, and builds on changes in indicators and management information, organizations see even greater benefits to come. While 79% of respondents see current benefits in decision making, 97% anticipate even more benefits in this area in future years.

A significant majority of organizations, 91%, also anticipate that <IR> will pay future dividends in the assessment of risks and opportunities. Privately held companies and listed companies were the most likely to expect <IR> to lead to future insights in this area. All privately held companies that participated in our survey, and 92% of listed companies anticipated future benefits regarding identifying risks and opportunities.

A new approach to stakeholder relations

91%

OF ALL RESPONDENTS HAVE EXPERIENCED A CHANGE IN RELATIONS WITH EXTERNAL STAKEHOLDERS

“ We disclose everything that is asked of us, and we follow through on our disclosure commitments. This has changed the tone of discussions.

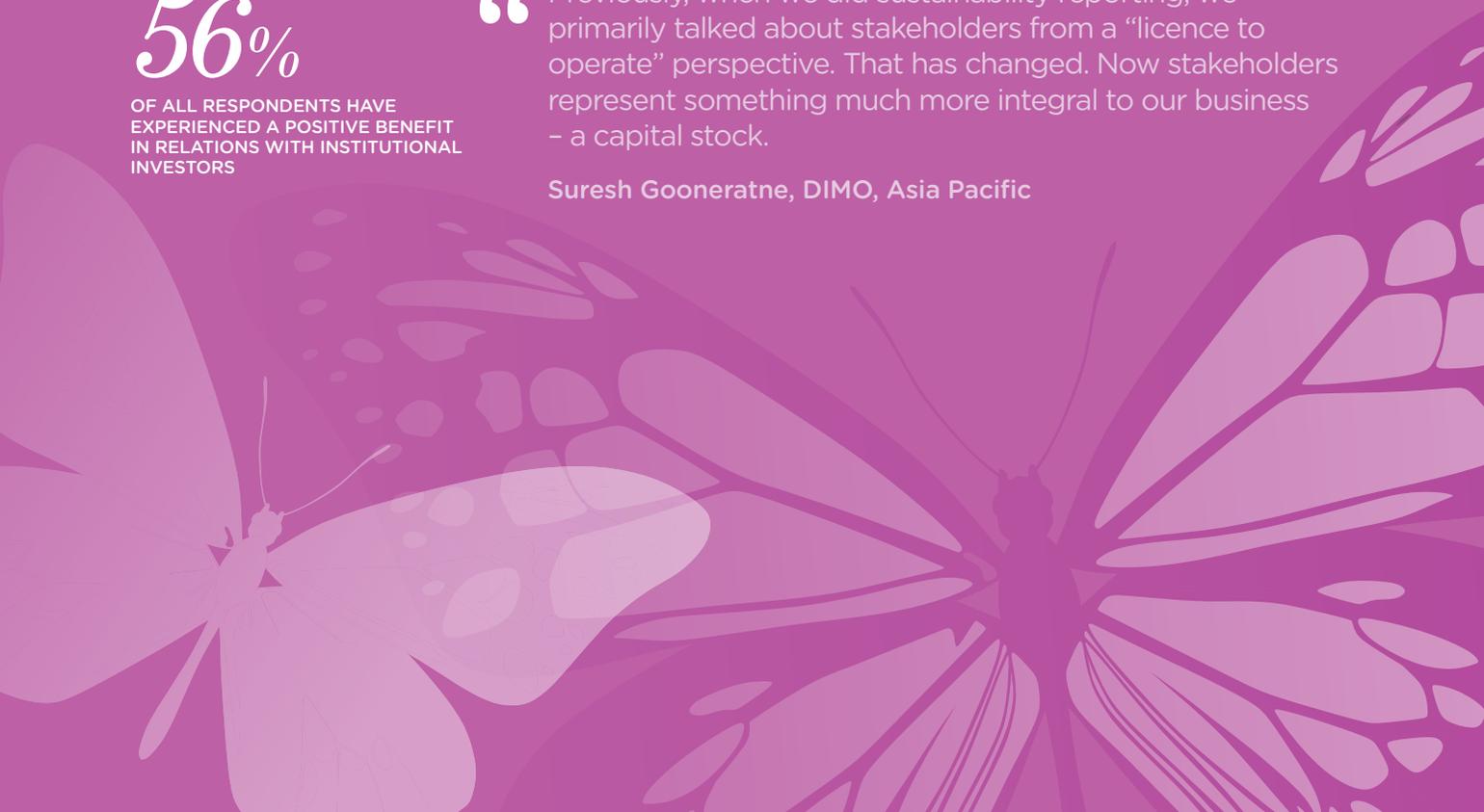
Sergey Golabachev, ROSATOM (State Atomic Energy Corporation), Europe

56%

OF ALL RESPONDENTS HAVE EXPERIENCED A POSITIVE BENEFIT IN RELATIONS WITH INSTITUTIONAL INVESTORS

“ Previously, when we did sustainability reporting, we primarily talked about stakeholders from a “licence to operate” perspective. That has changed. Now stakeholders represent something much more integral to our business – a capital stock.

Suresh Gooneratne, DIMO, Asia Pacific





A new approach

to stakeholder relations

“ Transparency has helped with bankers and investors. They understand our business better and have fewer questions.

David Canassa, Votorantim, South America

“ Non-financial issues make up the vast majority of the discussion in many of our investor relations meetings. If these things aren't managed properly, you no longer have a business.

Stewart Bailey, AngloGold Ashanti, South Africa

Impact on providers of financial capital



BELIEVE THAT PROVIDERS OF FINANCIAL CAPITAL BETTER UNDERSTAND THE ORGANIZATION'S STRATEGY



BELIEVE THAT PROVIDERS OF FINANCIAL CAPITAL HAVE GREATER CONFIDENCE IN THE LONG-TERM VIABILITY OF BUSINESS MODELS

Our research showed that one of the greatest motivations to begin the <IR> journey is strengthening relationships with external stakeholders.

Of those that have issued an integrated report:

- 100% see some impact on their engagement with external stakeholders
- 56% see a moderate to significant impact on their engagement with external stakeholders. This compares with only 19% for organizations that have not yet published their first integrated report
- 84% see an impact with society at large

Our research found that an increased understanding of value creation helped organizations think about and engage differently with stakeholders. Part of the change in understanding about value creation is an understanding that organizations create value through relationships and interconnections. For example, one engineering firm found that <IR> had led it to think about, and work with, its suppliers in new ways.

In many cases, respondents found it difficult to discern the impact attributable to <IR>, versus other efforts to engage stakeholders, but they believed that increased transparency has benefits. Two organizations with nuclear assets noted that <IR> was one part of concerted efforts to be as transparent and forthcoming as possible. Both organizations believed that <IR> - along with other activities - paid dividends in changing conversations and interactions with certain environmental groups and non-governmental organizations. Another organization, threatened by government regulation around reward systems, shared that they felt <IR> has helped them meet demands to be more transparent, to 'open up the windows and let society in'.

INVESTOR RELATIONS BENEFITS

<IR> is intended to improve the information provided to financial capital providers. A majority of respondents reported a positive change in relations with providers of financial capital, although the effect is not yet as strong as with some other stakeholder groups.

Of those organizations that have issued an integrated report:

- 87% believe that financial capital providers better understand the organization's strategy
- 79% believe that financial capital providers have greater confidence in the long-term viability of business models

We found that privately held companies were most likely to be motivated to begin the process of

A new approach

to stakeholder relations

<IR> to strengthen relationships with financial capital providers, but public sector entities were the most likely to report that they had experienced benefits in this area.

- 75% of privately held companies reported that relations with financial capital providers were a motivation to move toward <IR>, and 63% reported a positive impact on relations
- 69% of listed companies reported that relations with financial capital providers were a motivating factor, and about 50% reported a positive impact on relations
- Only 55% of public sector entities reported that relations with financial capital providers were a motivating factor, but 73% reported a positive impact on relations

Some of the organizations that have seen benefits using <IR> with investors are those that have experienced considerable change in their business model. This was the case for a chemical company that exited certain businesses. Several energy companies noted that <IR> helps them explain their role in the energy value chain, which is important as energy markets in some parts of the world are undergoing significant structural changes.

Because <IR> is one of many factors influencing conversations with investors and investor decision making, most organizations were unable to discern any impact on cost of capital. One privately held company reported that their <IR> has succeeded in lowering their cost of capital.

The company believes that its <IR> gives more context to the financial information it discloses, which has given banks and bond markets more confidence in its long-term strategy. The processes, and rates, involved in borrowing have therefore improved.

The experience of many organizations is that most investors are still not motivated to go beyond financial information. Two financial services companies noted that many investors do not assess financial information together with other aspects of non-financial performance, and that interest in connectivity between financial and non-financial information still primarily comes from buy-side analysts and specialists. Many organizations that have streamlined their integrated report by removing detailed financial information find that investors still prefer to rely primarily on financial statements, even when <IR> includes more strategy information and context for understanding the business.

MATERIALITY, CONCISENESS IMPROVE EFFECTIVENESS

In interviews, a number of organizations stressed that the move away from compliance-based reporting made integrated reports more interesting and more engaging for a range of stakeholders. One consumer product company explained that as their reporting had become more focused on strategic, material issues, it has become more streamlined. The company's stakeholders subsequently found the company's reporting easier to use.

While more concise reporting is seen as a benefit, particularly in engaging retail investors and employees, it is also a significant challenge for nearly all organizations. Even those organizations which have succeeded in slashing reports in half or keeping integrated reports under 40 pages admit that maintaining conciseness is an on-going struggle.

One European financial services firm seeking to integrate its quarterly reporting, because it believes the current format is too short term in focus, is in discussions with regulators about some of the reporting changes it seeks to make. It hopes to make its reporting not only more integrated, but also more concise for the benefit of reporting users.

Most organizations felt that <IR> is useful in answering stakeholder inquiries, and many felt it was a significant improvement over previous reporting. As <IR> is relatively new, there can be a learning or adjustment process for report users. To engage stakeholders, a South American public sector organization is looking for ways to use more accessible language in their <IR>. Other reporters are using technology, including interactive apps, to improve engagement and understanding.

One sign of the usefulness of connecting information is the number of organizations who are either integrating investor presentations and quarterly reporting, or have plans to do so. We found that it is not just corporate reporting that changes; there is a change in the way that people think and talk about their organizations.

Connecting

*departments
and broadening
perspectives*

96%

OF ALL RESPONDENTS SEE
SOME INTERNAL CHANGE

“ Our financial people are learning how non-financial issues impact financial performance. We are really learning from each other.

Carla Neefs, EY Netherlands, Europe

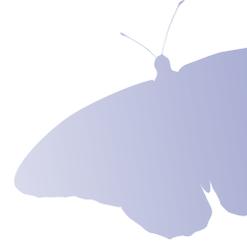
“ Even though we are still determining how to implement the IIRC Framework, we already work more collaboratively with finance.

Lorenza Barsanti, SNAM, Europe



Connecting

*departments
and broadening
perspectives*



A majority of survey respondents, 96%, told us that the <IR> agenda has had an impact on internal engagement within their organizations.

- Organizations that have published an integrated report were twice as likely to report that they had experienced moderate to significant impact on internal engagement than those organizations working toward their first report
- Respondents from sustainability units were more likely to report significant impact on internal engagement than respondents working in other areas of their organizations

These findings are consistent with observations from our 2012 research study, which showed breaking down silos and increasing respect and understanding between departments is one of the earliest benefits organizations experience.

Our research showed that finance, sustainability, investor relations and the board have, in that order, the most active participation across all stages of the process. Risk management and internal audit are the least involved in the <IR> process, although many respondents anticipate greater participation of risk management in the future.

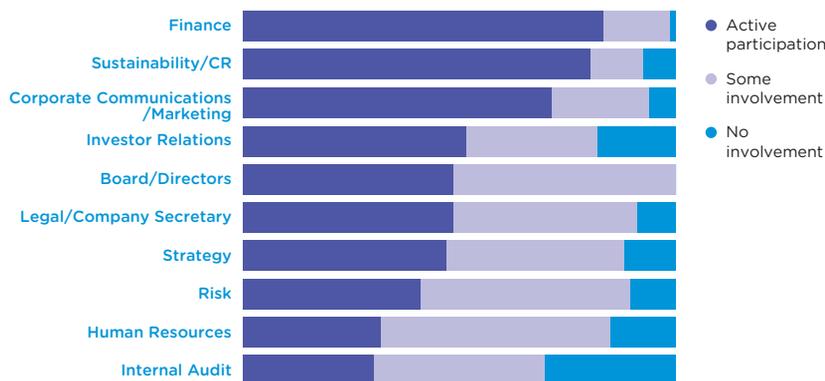
One notable change seen in the current research is that organizations are seeing not just better collaboration between departments, they are reporting restructuring, with departments being combined and reporting lines changing. Our research found that the most common change reported was to strategy and planning units, which were either expanded to include other disciplines or moved within the organization.

In addition to seeing an increase in internal collaboration between teams, one European energy company also made changes to internal management structures in line with its changes to external reporting. The risk management unit now has a different reporting structure, reporting to the CEO, and is more involved in reporting and linking risk management to strategy.

Increases in multidisciplinary collaboration add to internal skillsets and lead to better, more holistic decision making. Another financial services organization found that <IR> has increased respect within the organization. Each department now has improved employee understanding of how each department adds value (or contributed to value creation).

Internal engagement increases not just with the production of an integrated report, but as a result of the final product. The most significant, and unexpected, benefit for many new integrated reporters was a dramatic increase in internal understanding of strategy and value creation.

WHAT IS THE CURRENT LEVEL OF INVOLVEMENT OF THESE TEAMS IN CONTRIBUTING TO YOUR INTEGRATED REPORT?



The ripple effect:

How Integrated Reporting can be of even greater benefit

“ We are beginning to tell our clients that they can improve their businesses by moving to integrated thinking.

Ana Maia, BNDES (The Brazilian Development Bank),
South America



The ripple effect:

How Integrated Reporting can be of even greater benefit



Progress in understanding integrated value creation can have a ripple effect far beyond the walls of organizations.

Some financial services companies are not only reporters, but also users of reporting.

One financial services organization noted that their experience with <IR>, and the clarity it helped provide internally about strategy and the business model, has led it to begin requesting more non-financial context from client companies. A privately held company has received so much benefit from their <IR>, that they are requiring subsidiary companies to begin the process.

A number of governments around the world (from New Zealand to France and Bhutan) are looking beyond Gross Domestic Product and considering broader and more holistic ways of measuring economic growth and economic impact. The New Zealand Treasury has expressed interest in New Zealand Post's reporting, seeing <IR> as part of a long-term change that is needed to put financial growth in the appropriate societal context.

LOOKING AHEAD: ACHIEVING CHANGE

Many of the changes needed to increase the uptake and maturity of <IR> – thereby increasing the benefits it provides – need to be driven by organizations themselves. The Framework helps to enable this work. However, there are important roles for others as well. In particular, investors, auditors and business advisors have important roles to play.

Organizations believe that there is additional progress to be made in the use of integrated or connected information in investment models. Most of the organizations that participated in our research see that most investors still analyse information separately. When investors assess capitals other than financial capital, they usually do so as part of a separate, parallel process. Of course, changes in the way capital markets function will take time, and many organizations are focused on what is needed for these changes to take place. As organizations work to better understand and articulate how non-financial performance provides leading indicators for financial performance, it is hoped that investors will find new ways to use this information.

There is also significant scope to increase the alignment and integration of non-financial assurance with audits of financial information. To align processes and increase the robustness of reporting, many organizations increase their investment in non-financial assurance services as part of their move to <IR>. Because financial audits are subject to considerable regulation, evolution toward integrated audits has been slow. For example, one consumer products company that has issued integrated reports for more than five years has sought an integrated audit

and assurance statement rather than two separate statements. They have not yet found a way to achieve this goal.

Finally, while organizations are working to improve measurement of performance and outcomes for their investors and other stakeholders, all interested parties can also make important contributions. Financial reporting developed over a period of centuries. The development of accounting methods for other types of capital is still at an early stage. There are many opportunities for innovation that can make a real difference to the on-going viability of individual businesses as well as broader financial market stability.

Our conclusions

Respondents to the survey and subsequent interviews were generally extremely positive about the impact that their journey towards integrated thinking and <IR> is having. In nearly all cases, those respondents representing organizations that have issued at least one integrated report have experienced more benefits from <IR> than respondents from organizations working toward their first report. However, even those organizations at relatively early stages of the journey reported initial benefits from beginning the process.

In this second research survey, we found more evidence of <IR> having an impact on engagement with external stakeholders, including investors. We also found more evidence of strategic benefits, particularly benefits related to decision making.



Breakthroughs in understanding value creation

- One of the most important and most common benefits organizations experience is a new and better understanding of how they create – or destroy – value



Improving what is measured

- As the understanding of value creation changes, decision making changes



Improving management information and decision making

- New approaches to value creation and decision making require organizations to assess their performance in new ways
- Most organizations reported changes in performance information used by management and in the quality of certain types of data used internally



A new approach to stakeholder relations

- Organizations found that the process of moving toward <IR>, and publishing an integrated report, had an impact on relations with stakeholders
- Reporters believe that providers of capital develop a better understanding of strategy and longer-term objectives



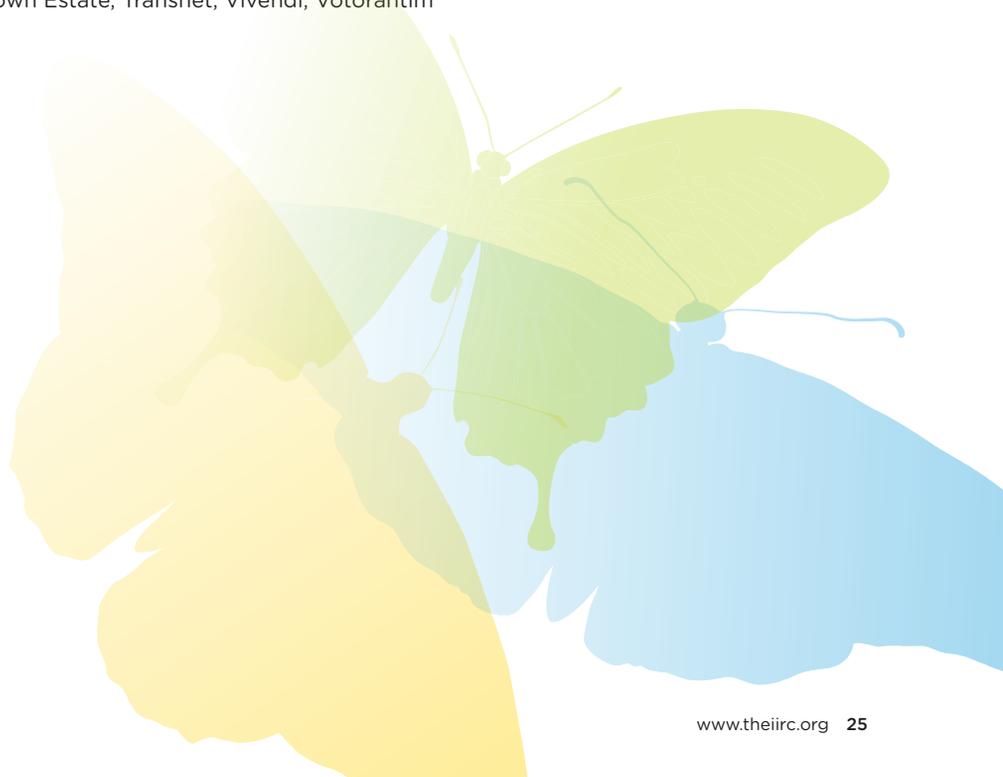
Connecting departments and broadening perspectives

- <IR> changes how organizations report, but also how they work and think about what they do
- Greater collaboration and respect were seen as important benefits

We wish to thank the following...

Alice Assumpção, Ana Maia, Annamaria Bradamante, Carla Neefs, Cora Olsen, David Canassa, Dawn Baggaley, Denise Gibran Nogueira, Domenica di Donato, Elena Blanco Lozano, Emma Sweet, Heloisa Rizzo, Ivar Smits, John Lelliott, José Miguel Tudela, Jose Wanderley, Lauren Owens, Leilanie Sherman, Lorenza Barsanti, Lothar Rieth, Luciana Alvarez, Martin Drew, Michela Giovannini, Mike Mansfield, Mikkel Larsen, Nicholas Diss, Patricia Byington, Rafaella Bordogna, Richard Scurr, Robert van der Laan, Sergey Golovachev, Simonetta Ferrari, Stewart Bailey, Suresh Gooneratne, Sven Lunsche, Tim Haywood, Virginia Nicolau Goncalves, William van Niekerk

ACCA, Aegon, AES Brasil, AkzoNobel, AngloGold Ashanti, The Generali Group, BASF SE, BNDES (The Brazilian Development Bank), BRF S.A., CIMA, Cimsa Cimento San. ve Tic. A.S., CLP Holdings Limited, CPA Australia, CPFL Energia, Danone, DBS, Deloitte Holding B.V., Deutsche Bank, DIMO, Enagás, EnBW Energie Baden Württemberg AG, ENEL, ENI, Ernst & Young, ShinNihon LLC, EY Netherlands, Eskom Holdings, SOC Limited, Fibria Celulose S.A., Financial corporation URALSIB, FREUND CORPORATION, Gold Fields, Grant Thornton, HSBC Holdings plc, Indra, Interserve, Itaú Unibanco, Jones Lang LaSalle, JSC NIAEP, Meliá Hotels International, Microsoft Corporation, Munich Airport, National Australia Bank, Natura, New Zealand Post Group, Novo Nordisk, PepsiCo, Inc., Petrobras, Port Metro Vancouver, PwC N.V., Repsol, ROSATOM (State Atomic Energy Corporation), Royal BAM Group, Sanofi, SAP AG, Schiphol Group, Singapore Accountancy Commission, SK Telecom, SNAM, Stockland, StrateTurkiye Garanti Bankasi A.S., Takeda Pharmaceuical Company Limited, The Clorox Company, The Crown Estate, Transnet, Vivendi, Votorantim



Methodology

Black Sun conducted the research for this report in association with the IIRC. We emailed all IIRC Pilot Programme businesses participants with a detailed baseline survey which we administered online. In total, 66 organizations completed the questionnaire, which comprised 23 questions.

Black Sun interviewed 29 of these organizations by telephone to provide greater understanding of their responses and to explore the changes and benefits further. These 29 volunteered further participation and provided an opportunity to collect detailed examples of what organizations are doing. The information from these interviews provides the bulk of material for this report. The research took place between April and August 2014.

The participants in the research included:

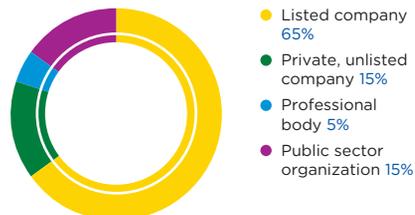
- 43 listed companies
- 10 private companies
- 10 public sector entities (including state-owned corporations and enterprises run for public benefit)
- 3 other organizations (including professional membership organizations)

Of the organizations involved, 60% have published at least one integrated report. The remaining 40% are at various stages on the journey toward <IR>. As our objective was to understand the impact of moving toward and producing <IR>, we did not analyse the scope, quality or style of reports themselves. We allowed respondents to self-declare whether their organization was publishing an integrated report.

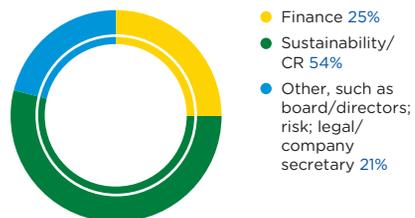
The research is based on the opinions of those that are managing and delivering <IR> for their organization. Of these, 62% were report owners, 18% contributors, 5% editors and the remaining respondents were involved in the report production in other ways. As all the participants are already working towards <IR>, their responses are likely to be more positive about it as an approach than those of a random selection of organizations would be. However, the purpose of the Pilot Programme is to share experiences and so the respondents have shared their challenges, as well as the benefits they are experiencing.

The objective of our research was to seek evidence of trends in corporate behavior, business benefits and integrated thinking as a result of adopting <IR> processes. This project built on baseline research conducted by Black Sun in association with IIRC in 2012. The initial research report may be accessed at www.theiirc.org/resources-2/other-publications/building-the-business-case-for-integrated-reporting/

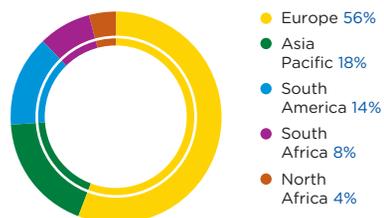
WHAT KIND OF ORGANIZATIONS RESPONDENTS ARE FROM



RESPONDENTS CAME FROM THE FOLLOWING DEPARTMENTS OR TEAMS



WHICH REGIONS ARE THE ORGANIZATIONS FROM ?





Black Sun is one of Europe's leading strategic corporate communications consultancies. Founded in 1991, it brings together corporate reporting, sustainability and digital communications to create powerful integrated solutions for clients.

Black Sun works with companies – from small businesses to large global organizations – to produce effective communications that build greater trust and confidence with stakeholders. Its dedicated strategic research team identifies trends and best practice to provide clients with up-to-date analysis, advice and guidance.

If you would like to understand more about the work of Black Sun Plc or this research, please contact:

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or +44 (0)20 7736 0011
www.blacksunplc.com

INTEGRATED REPORTING <IR>

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting.

Integrated Reporting is a process founded on integrated thinking that results in a periodic integrated report by an organization about value creation over time and related communications regarding aspects of value creation.

If you would like to understand more about <IR> and the networks that you can join, please contact:

Sarah Grey at
sarah.grey@theiirc.org
www.theiirc.org

About Susan Blesener

Susan Blesener led many of the interviews for this report and was the primary writer and editor, working on behalf of Black Sun. Susan provides advisory services for integrated performance management and reporting to clients based around the world. She began working on <IR> at the World Bank in 2006 and has 20 years of experience in corporate reporting, performance measurement and management and strategic change.

Susan at
susan@theartofvalue.com

For inspiration...

The Integrated Reporting database contains examples of emerging practice in <IR> that illustrate how organizations are currently reporting concise information about how their strategy, governance, performance and prospects, in the context of their external environment, leads to the creation of value.

We are also publishing case studies that include more information about what organizations have learned on their journeys toward <IR>, and how organizations at all stages of the process have benefited.

To find out more, visit <http://examples.theiirc.org>

Also, we will be publishing case studies for many of the organizations involved in this research report, which include more information about what organizations have learned on their journey towards <IR>, and how organizations at all stages of the process benefited.

In addition you can refine your search. If you have something specific in mind from the <IR> Framework, then you can search by Content Elements and Guiding Principles to find relevant examples.

The search functionality allows you to tailor the examples to best suit you. For example, you can search by company name, sector or year to find interesting examples.

The screenshot shows the homepage of the Integrated Reporting Database. At the top, there is a navigation bar with the logo 'INTEGRATED REPORTING <IR>' and a search icon, followed by links for 'HOME', 'VIEW BY ORGANIZATION', 'ABOUT THIS SITE', and 'SUGGEST A REPORT'. Below the navigation bar is a search section with a search box and filters for 'Organization' (set to 'All Sectors') and 'Report' (set to 'Any Year'). To the right of the search section is a large blue banner with the text 'EMERGING INTEGRATED REPORTING DATABASE' and a description: 'The database contains examples of emerging practice in Integrated Reporting that illustrate how organizations are currently reporting concise information about how their strategy, governance, performance and prospects, in the context of their external environment, leads to the creation of value over the short, medium and long term.' Below the banner is a section titled 'Recently Added Reports' which displays a grid of report covers. The covers include titles like 'POWER', 'NEW ZEALAND POST GROUP', 'eni', 'Imagine...', 'novo nordisk annual report 2012', 'Annual Report', 'PROGRESSIVE', 'Strategy is all about choice', and 'smarter'. On the left side of the interface, there are two sections for refining search results: 'IR Guiding Principles' with checkboxes for 'Strategic focus and future orientation', 'Connectivity of information', 'Stakeholder relationships', 'Materiality', 'Conciseness', 'Reliability and completeness', and 'Consistency and comparability'; and 'IR Content Elements' with checkboxes for 'All Contents', 'Organizational overview and operating context', 'Business model', 'Risks and opportunities', 'Strategy and resource allocation', 'Governance', 'Performance', and 'Outlook'.

Interesting extracts from reports can be viewed, which includes a brief observational narrative on the extract.

Functionality to increase the size of the extract so that you can view the example more clearly.

If you feel your report or someone else's should be recognized, use 'suggest a report' to tell us about it.

If you want to download the full report, just the extract, or print it, the database allows you to do this with these easy to use buttons.

INTEGRATED REPORTING

HOME **VIEW BY ORGANIZATION** **ABOUT THIS SITE** **SUGGEST A REPORT**

NOVO NORDISK - Integrated Report 2013 - Strategy and resource allocation

Business strategy: 'Our focus is our strength'

If NovoNordisk's business strategy were to be discussed in one word, it would have to be 'focus'.

Even in a year of intense financial pressure, NovoNordisk has managed to maintain its focus on its core business. The company's strategy is to focus on its core business, which is to develop and commercialize innovative medicines and medical devices. This focus is reflected in the company's financial performance, which shows a strong return on capital and a high level of operational efficiency.

The five strategic focus areas

1. Expand leadership in diabetes
2. ...
3. ...
4. ...
5. ...

Novo Nordisk's strategy

Strategic focus areas	Core capabilities	Value proposition	Business model	Marketing and sales
Expand leadership in diabetes	Strong R&D pipeline	High quality products	Global presence	Strong marketing
...
...
...
...

Novo Nordisk Way and the Triple Bottom Line business principles

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IR Guiding Principles this extract demonstrates:

- Strategic focus and future orientation
- Connectivity of information

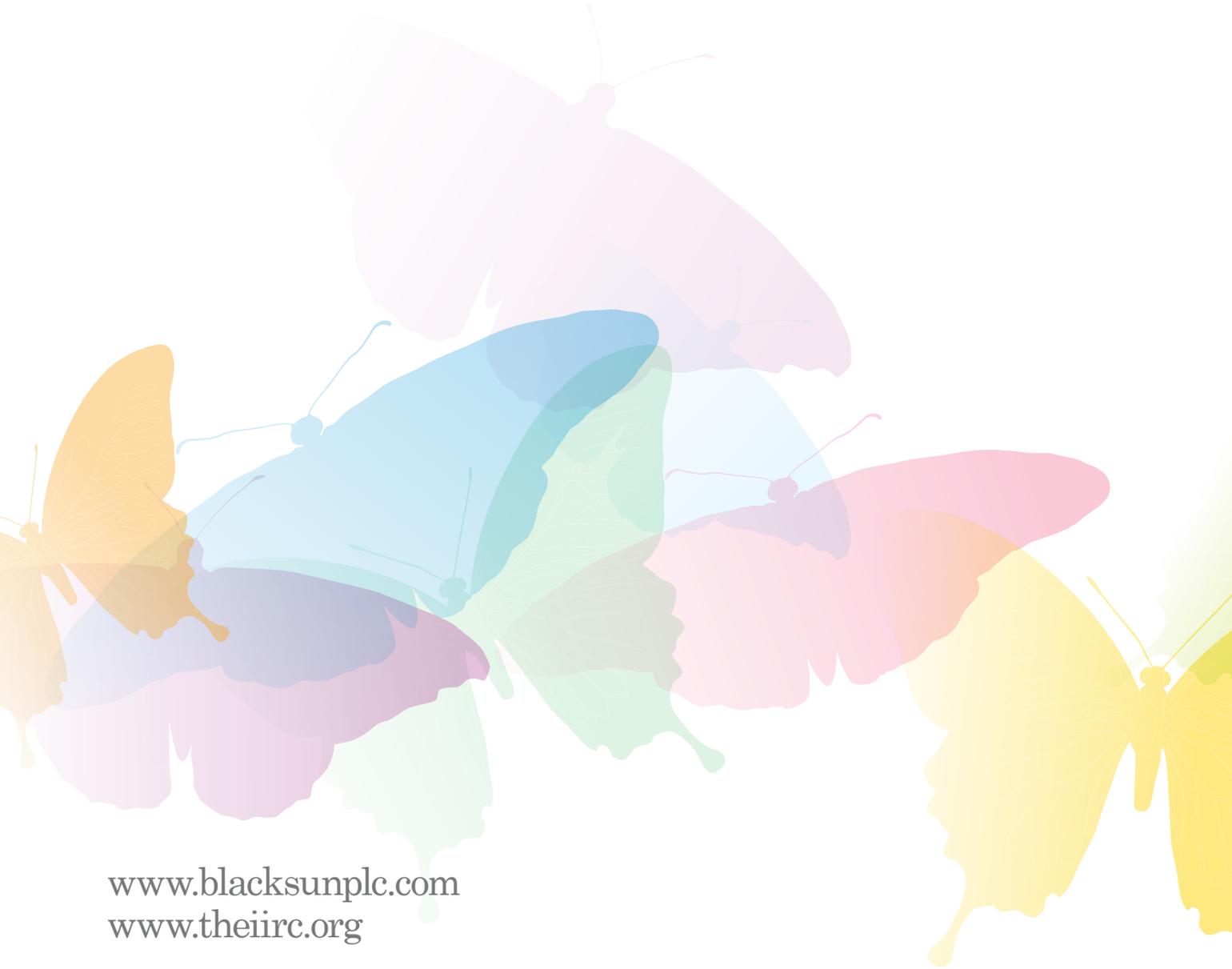
Key observations:

The report outlines Novo Nordisk's approach to strategy development and the integration of that strategy into day-to-day operations. The discussion provides a candid look at the organization's business environment and, in particular, the external factors that influence its longer term strategy. The company's motivations are rooted in contextual information, such as current and projected statistics on diabetes incidence. The report then identifies 'three core elements' that form the basis for the business strategy, as well as five 'strategic focus areas'. Cross-referencing or 'signposting' to other areas of the report ensures connectivity of information and allows readers to learn more about particular topics.

Recognizing that value creation relies on the effective execution of strategy, the report outlines core capabilities and features illustrations and examples along the way. Such elements provide substance to the discussion and result in a fact-based account, rather than one containing empty statements.



INTEGRATED REPORTING <IR>



www.blacksunplc.com
www.theiirc.org

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