

# Directors' Symposium on Integrated Reporting

15 January, 2019, India International Centre, New Delhi

**I**nstitute Of Directors (IOD), jointly with its Strategic Partner ACCA-The Association of Chartered Certified Accountants & in collaboration with The <IIRC> The International Integrated Reporting Council organised the Directors' Symposium on 'Integrated Reporting' on Tuesday, 15th January 2019 in New Delhi.

**Mr. Ashok Kapur, IAS (Retd)**, Director General, IOD welcomed the gathering and provided a brief perspective on the topic, Integrated Reporting. He introduced the keynote speaker, **Ms. Helen Brand, OBE**, Global Chief Executive, Association of Chartered Certified Accountants, UK and Vice Chair of the board of International Integrated Reporting Council, IIRC. He then introduced the Guest of Honour, **Mr. U. K. Sinha**, former Chairman, Securities and Exchange Board of India (SEBI) and a serving board member on multiple company boards.

At the outset, **Lt. Gen. J. S. Ahluwalia, PVSM (Retd)**, President, IOD provided a context to the topic and informed that the IIRC was set up in August 2010 pushed by the global financial crisis in 2008. Its purpose was to develop a globally accepted reporting framework. There are many differences in reporting in the present system and what is required today is that an investor really needs to understand the value of the organization. He, therefore, implied that there is a gap between what is reported and how value is created. As much as 80 % of what a company does or stands for is not reflected in the financial statements. Integrated reporting leads to integrated thinking. He expressed gratitude to Ms Helen Brand for delivering the keynote address and to Mr. U. K. Sinha for his presence as the Guest of Honour. He recalled the excellent work done in enhancing corporate governance during Mr Sinha's tenure when he was at the helm of SEBI.

**Ms. Helen Brand OBE**, Chief Executive, ACCA stated that the core purpose of a company was to provide an insight on strategic thinking and leadership. She mentioned that the focus of company reporting was financial numbers, although company value is multi-faceted and is regenerated on a continuous basis. The communication of the business model is at the heart of this and often company and brand are

interchangeably used. Companies must understand key corporate risks and then should be able to manage them. They must be in a position to clearly articulate to external stakeholders the process of integrated thinking and developing integrated strategy.

The reader or investor must exactly know what the company is doing to create value and therefore, must have a complete view of key performance indicators.

She referred to the 2019 Edelman Trust Barometer report and categorically stated that building trust is most important. The survey results reveal that trust has changed profoundly in the past year—people have shifted their trust to the relationships within their control, most notably their employers. Reliability of codes and structures and more effective corporate reporting would definitely contribute to higher levels of trust.

The IIRC and the IR framework is endorsed by IFAC and Judge Mervyn King of South Africa is the guiding light of IIRC, she stated.

**Mr. U. K. Sinha**, former Chairman, SEBI, and a serving board member on multiple boards wondered whether it would be possible for any company to avoid integrated thinking. He believed that India has covered good ground in Corporate Governance over the last five to six years and has moved up the ranking considerably in "Ease of Doing business" in the last three years. Many segments want a voice and the current thinking of a company must be meaningful to shareholders. Companies need to think for the benefit of all stakeholders. He further explained that this rationale was the basis for the introduction of SEBI (LODR) Regulations, 2015. Principles are important and drives the organization towards achieving greater heights; where there is an interpretation issue or a dispute, the principle will prevail. He also referred to the new Insolvency and Bankruptcy Code, 2016 which has, for the first time, provided some protection to creditors; now interest of the creditor too is recognized which has been brought about through a new thinking while framing Indian laws.



The Inaugural Session Panel L to R: **Lt. Gen. J. S. Ahluwalia, PVSM (Retd)**, President, Institute Of Directors, **U. K. Sinha, IAS (retd.)**, former Chairman, Securities and Exchange Board of India (SEBI) and also a serving Board Member on multiple boards & **(Ms.) Helen Brand OBE**, Global Chief Executive, Association of Chartered Certified Accountants (ACCA), UK & Vice Chair on the Board of IIRC

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**U. K. Sinha, IAS (retd.)**  
former Chairman, Securities and Exchange Board of India (SEBI) and also a serving Board Member on multiple boards



**(Ms.) Helen Brand OBE**  
Global Chief Executive, Association of Chartered Certified Accountants (ACCA), UK & Vice Chair on the Board of IIRC



**Ashok Kapur IAS (retd.)**  
Director General, Institute Of Directors

He believes that the sources for change in this mindset comes from many areas and he mentioned a few of them. The United Nations Sustainable Development Goals and the Millennium Development Goals guide towards sustainable businesses and practices. Government and Regulators guide the thinking towards sustainable development. There is a clear focus on climate change and laws are also being made stringent. Businesses should not just focus on short term profits but on long-term sustainability. In the recent past, the Environmental Audit Committee, UK has come out with several steps to focus on cleaner environment. The Pension Funds Investor Forum have some large investors who have overall more than two trillion pounds in assets under management and they are asking the hard questions. They want to know what companies are specifically doing on sustainability. In the European Union and USA, companies are being challenged and there is activism which is forcing the thinking on long term and sustainable growth.

In the **Shipping Lines and Airlines sector**, there is a clear pressure from their shareholders to change. More than 150 large companies agree to reduce environment carbon emission by 2 degrees by 2040. Large investors focus in companies with sustainable goals and performance and this has changed the thinking. In Banking, the Bank of England is assessing the risk of exposure to companies because of a climate event. Debt capital may be limited for companies not high on climate controls. The data in the last three-four years indicate that risk adjusted returns which were high are now better. Insurance Companies have lost 300 Billion USD in a year of which 50 % was because of natural disasters.

Large investors like Swiss Re will not invest in companies which are not sustainability focused. Broader questions are being asked about the purpose of a company and what it is doing for all its stakeholders.

There is a need to generate thinking around this topic and the important thing is integrated thinking.

**Panel Discussion on  
'Benefits of an Integrated Reporting Framework'**

It was moderated by  
**Ms. Vrushali Gaud**  
Advisor-India, International Integrated Reporting Council (IIRC)

The co-panelists were:

**Dr. S. Majumdar**  
Chief Sustainability Officer, JSW Group

**Mr. Suresh Joshi**  
CFO, Ambuja Cements Limited

**Mr. Pankaj Tewari**  
Group Company Secretary, Bharti Airtel Limited

Ms. Vrushali Gaud mentioned that there is great enthusiasm about IIRC in South East Asia and Africa. The interest in Integrated Reporting is gaining ground in India too. Thereafter, each of the panel members provided an overview of what they are specifically doing on sustainability and integrated reporting.



President, IOD presenting a memento to the Guest of Honor, U. K. Sinha , IAS (retd.)



Panel Discussion on 'Benefits of an International Integrated Reporting Framework'. From L to R: Dr. S. Majumdar , Chief Sustainability Officer, JSW Group, (Ms.) Vrushali Gaud, Advisor- India, International Integrated Reporting Council (IIRC), Mr. Suresh Joshi, Chief Financial Officer, Ambuja Cements Ltd. & Mr. Pankaj Tewari, Group Company Secretary, Bharti Airtel Ltd.

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**Dr. S. Majumdar** gave the example of the steel plant set up in Vijayanagar where there was neither availability of water nor raw material. There was no power plant nearby as well. He was driving the point that decision making related to plant location was made keeping in view the expectations of all stakeholders. He mentioned that a pipeline of 173 kms was built to transport water. Material aspects of a business is required to be reported to all stakeholders. Besides the interplay of six capitals, there has to be some form of human engineering. He stated that it is important to distinguish between measurement (numbers) and valuation (beyond numbers which includes intangibles). He believes that the Board has to be fully engaged with the sustainability agenda and that Key Result Areas of the future will include matters related to sustainability.

**Mr Suresh Joshi** explained that there is a general perception of high levels of dust in cement plants and the nature of environmental issues related to limestone mining. He mentioned that the company is focused on sustainability and takes the views of all stakeholders in decision making. He informed that there is a rose garden maintained near the kiln to demonstrate that the air is well controlled. Integrated Reporting uses the six capitals relating to Finance Capital, Manufacturing Capital, Intellectual Capital, Human Capital, Social & Relationship Capital and Nature Capital.

**Mr Pankaj Tewari** provided a perspective how Bharti Airtel is dealing with this. He informed that at the Corporate level there is a steering group comprising heads from Secretarial, Finance and Sustainability functions and they collaborate to succeed. It is important to take business along this journey and they have to understand the long term implications. When it comes to sustainability agenda and reporting, the Board does a self-evaluation, introspection which then allows it to take the right decisions. At the same time, if there are fatal accidents, there must be a discussion in the board as it is important for them to know. The causative factors can be discussed to strengthen the preventive controls. Global investors focus on published data of companies and then take a call on the company. Recent surveys indicate that millennials who are looking for work opportunities in a company also consider the softer aspects, employee engagement and its focus on sustainability before joining. He also stated that the company or the business should not see this as one more report or compliance.

To a question posed by **Ms. Gaud**, the moderator, on the challenges faced by them in this journey, **Suresh Joshi** suggested that it is important to

measure the right things and also develop insights on work done. **Dr. Majumdar** stressed the point that people are always busy and therefore it is important to get the right structure, make employees understand how this benefits the company in the long run. It is imperative to involve the people in this journey and communication from the CEO and the Board is critical.

**Pankaj Tewari** stated that implementation is not an easy task; it is important to make people believe that there are opportunities and that it helps long term value proposition.

The audience had a few comments and questions related to its implementation such as how to involve the employees and how organizations can improve human happiness. A well rounded & participative Q & A session followed.

### The ACCA and IOD sign a MoU for continued professional association

The Symposium also witnessed the renewal of IOD's and ACCA's long-established professional relationship which manifested in the signing of a MoU between the two institutes. Lt. Gen. J. S. Ahluwalia PVSM (retd.), President, IOD and Ms. Helen Brand OBE, Chief Executive, ACCA signed on behalf of their respective organizations. The collaboration between these two institutes has been instrumental in the previous years to elevate the standards of corporate governance and also contribute to continued professional development of their members. In the coming years, many new joint initiatives are proposed to further the joint agenda of promoting sustainable business practices. ■

*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.*

*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 of value in the short, medium and long term.*

Compiled By

\*Mr. N. G. Shankar, Director (Training), Institute Of Directors



A delegate during the audience interaction with the panel.



Lt. Gen. J. S. Ahluwalia, PVSM (Retd), President, Institute Of Directors congratulating (Ms.) Helen Brand OBE, Global Chief Executive, Association of Chartered Certified Accountants (ACCA) on the signing of the MoU between the two institutes.



President, IOD presenting a special Memento to Md. Sajid Khan, Head of International Development, Association of Chartered Certified Accountants (ACCA), UK