

SPECIAL ADDRESS AND PRESENTATION

“Integrated Reporting: The Drive for Authenticity”

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I think it is safe to say that we share universal agreement about one belief, the belief that successful, sustainable corporate strategy recognises that business planning must look further than a year ahead, three years, or even five or ten.

It means that directors have a duty that extends beyond the profit-and-loss figures in the next annual report, that a business will not survive unless it retains the consent, trust and support of its employees, its customers, shareholders, regulators, political rulers and the public.

To all of us, in 2019, that seems obvious. A generation ago, it wouldn't have been.

I want you to come back with me to the year 2000, when corporations placed the pursuit of profit - and plumping up the next dividend - first, second and last in their priorities list.

I want to talk about one particular annual report from 2000. The summary describes an incredible year of financial performance. It opens by announcing: *'To our shareholders ... our performance in 2000 was a success by any measure, as we continued to outdistance the competition and solidify our leadership in each of our major businesses. The company's net income reached a record \$1.3 billion. We are laser-focused on earnings per share, and we expect to*

continue strong earnings performance.'

It is followed by 58 pages of tightly-spaced tables of figures reflecting the company's amazing progress in the last 12 months - a forensic record of expenditure and revenue, sliced and diced by sector, service and subsidiary. As a detailed ledger it's hugely impressive, and the bottom line figures are astonishingly good. Not surprisingly, the auditor has signed it off without a murmur, and when they get this report the shareholders will turn cartwheels and whoop with joy. On the basis of this report, no wonder they quickly agree generous bonuses for top executives totalling \$432m.

The numbers, after all, add up.

But does the report give an accurate picture of the company's real prospects? Is it true that the report represents *'success by any measure'*?

In other words, is it authentic?

Back to the present day - and when I tell you that the report ends with smiling photographs of the jubilant executives, and that some of the next photographs taken of the men in question appeared on their police mugshots after they were arrested and charged with institutionalised, systematic, and creatively planned accounting

fraud, the penny will drop.

This was Enron, and this annual report was its last before it became the biggest bankruptcy in history. It was the epitaph for a criminal enterprise which saw supposed assets of \$63 billion chalked down to zero; thousands of people thrown out of work; pension funds hollowed out. The episode also spelt the end for the auditor, Arthur Andersen, which went down with Enron.

It was the clearest warning that for a business to be successful and sustainable, it has to show a worth that extends beyond the purely financial – to reveal more faithfully the way it sees its place in the world, and how it adds public value as well as shareholder value. To admit its weaknesses as well as its strengths. Above all, to be authentic.

These are the terms on which we must do business now, and it explains the gathering strength of the movement behind Integrated Reporting, which is what I really want to talk about today.

As we speak, more than 1,700 organisations across 70 countries, including every one of the G20 countries, produce integrated reports. These include some of the world's most influential companies – AXA, Coca Cola, GE, HSBC and Unilever. Members of the International Integrated Reporting Council – the independent, non-profit organisation which promotes Integrated Reporting globally – include The World Bank, the World Economic Forum, global CEOs of major accounting firms, professional accountancy bodies from around the world and all the major standard setters and framework developers in the corporate reporting field.

It's membership is drawn from broad global communities, including: providers of financial capital; policy makers, regulators and exchanges; the accounting profession; reporting framework developers and standard setters; civil society; and academia.

It's why more and more business are adopting the Integrated Reporting model, which goes way beyond the traditional finance-focused annual report. It seeks to align the allocation of capital, and to shape corporate behaviour, to achieve broader aims of financial stability and sustainable development.

It's about seeing the big picture, not just a keyhole glimpse of the bottom line.

It means seeing the annual report not as a marketing tool, or a shareholders prospectus, or a PR brochure, but as a window into the real workings, the true nature, the authentic face of an

organisation. It means not being afraid to admit failures or highlight weaknesses. It means using the report not just to record financial performance, but as a guide to action for achieving future sustainable success. It means, above all else, building trust between the business and all of its partners – not just shareholders, but staff, regulators, and the public.

This is the way we build businesses which people respect, people want to work for, people want to trade with and invest in.

Increasingly, this is what the public profile of a successful, sustainable business looks like.

At ACCA, we are proud to work with businesses which are dedicated to Integrated Reporting, and we practice it ourselves. We are proud pioneers in championing Integrated Reporting, and in 2012 we were the first international professional body to publish an Integrated

Report on our own performance. In 2014 we embedded the disciplines and practices of Integrated Reporting into our qualification and included it in our exam syllabus.

Since then every student who qualifies with ACCA anywhere in the world – and we have more than half a million students globally – acquires a thorough grounding in the demands and the value of Integrated Reporting, and they take that knowledge with them as they enter the profession and advance in the corporate world. It means that wherever ACCA people are at work, there are financial professionals bringing a reverence and a respect for real, authentic reporting into their organisations.

That is such a huge step forward for our profession, and for the future of sustainable business development.

Fortunately, the IIRC has done the heavy lifting for all of us by creating a reporting framework – principles-based guidelines, endorsed by the worldwide International Federation of Accountants, that enable organisations of all kinds to produce reports that explain their unique value creation.

From our experience of working with Integrated Reporting at ACCA, I can share a few ways in which they've enhanced our reporting, and maybe how they can do the same for yours:

- Don't just say what the organisation cares about: show why you care about it
- Explain the trade-offs influencing decisions
- Pinpoint what makes your organisation unique
- Set clear long-term goals and check progress consistently year on year
- Ensure that information reported externally matches information reported internally
- Be transparent about wins and losses
- Use the reporting process to review how the organisation can do better
- Involve staff from across the business
- Don't focus on positives and ignore negatives. Nurture a culture where people feel comfortable to talk about and learn from failure
- Use external advisors or auditors as a sounding board to pick up any organisational bias.

ACCA has amassed a wealth of experience and resources in the years we've produced our own report and worked with partners on their reports. A lot of the lessons are collected in our analysis of Integrated Reporting, based on conversations with businesses across the world which have adopted and benefited from it.

In the era of 'fake news', there is a global crisis of trust and increasing lack of belief that what we all see and hear is the truth, the whole truth and nothing but the truth. In its most recent survey into public trust, global PR agency Edelman found that building trust is now seen as the most important role of the CEO, surpassing the production of high-quality products and services.

Here in India, there are especially excellent foundations on which to build. Employers in India are the second most trusted anywhere in the world, according to the 2018 Edelman survey, with only

employers in Indonesia ranked more highly. I think that speaks volumes about the reliability of business structures, codes and practices operating here and the contribution Indian business is already recognised for making to society.

But, with public trust so fragile, none of us can relax. To build a global business environment that builds sustained trust relies on all players within the ecosystem – employees, professional bodies, regulators and above all, Boards and leaders – working together to create sustainable and good growth for those they serve. And integrated reporting is an unrivalled vehicle to help us deliver this. ■



(L to R) **Mr. Vijay Karia**, Chairman & MD, Ravin Group of Companies, **Mr. Amitabh Kant**, IAS, CEO, NITI Aayog, Govt. of India, **Mr. Hardeep Singh Puri**, Hon'ble Union Minister for Housing & Urban Affairs (I/C); Civil Aviation (I/C); & MoS Commerce & Industry, Govt. of India, **Ms. Lucia Real-Martin**, Lead Market Director, ACCA- Association of Chartered Certified Accountants, UK & **Lt. Gen. J. S. Ahluwalia, PVS (retd.)**, President, Institute of Directors

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