



# INTEGRATED REPORTING AND THE BOARD

\*Vrushali Gaudleads

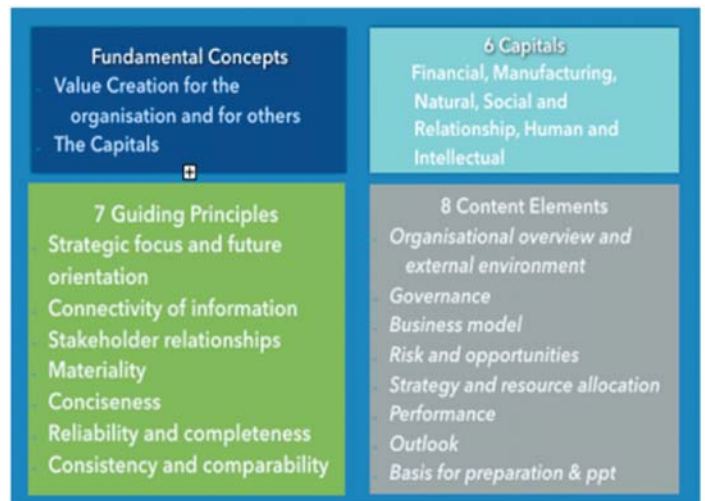
## Introduction

Corporate Governance globally and in India is moving towards creating an environment of accountability and transparency in how an organization creates value for its shareholders. Climate change, income disparity, geo-political uncertainties and technological changes are driving boards to understand and influence decisions that impact the long term viability of an organization.

The International Integrated Reporting Council (IIRC), a global multi stakeholder think tank, was formed post the 2008 financial crisis as a response to the growing need to rebuild trust in capital markets through a more holistic and long term view of business. IIRC launched the principles based framework in 2013 that has since been adopted by 1600+ companies across the world driven by a combination of voluntary adoption and regulatory mandates. In India, SEBI issued a circular in February 2017 that recommended that top 500 companies use the <IR> framework towards improving their annual reports.

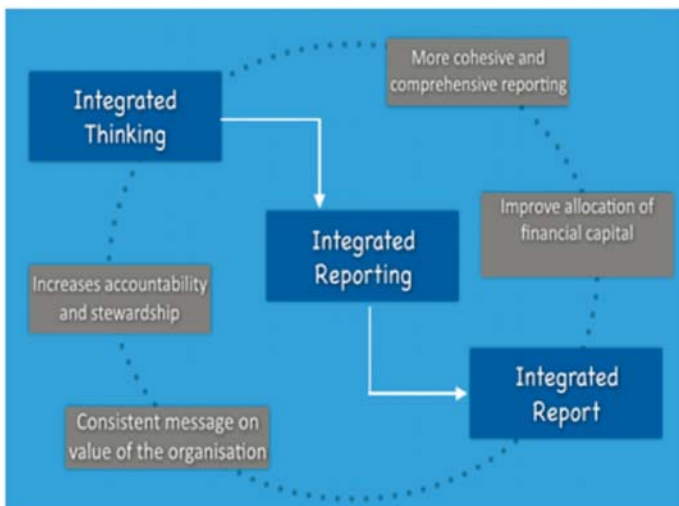
Integrated Reporting <IR> is an evolution of corporate reporting that aims to improve the quality and relevance of information available to providers of financial capital to enable a more efficient and productive allocation of capital. The evolution is enabled a culture of integrated

The <IR> framework is based on the fundamentals concepts of value created by the organization for itself and others; and a multi-capital approach. It encourages companies to move beyond the traditional financial and manufactured capital towards including natural, social, human and intellectual capital. An integrated report is guided by principles such as materiality, connectivity etc. and should strive to include a broad range of content elements.



Boards drive integrated thinking and reporting: While many companies start their <IR> journey with a focus on the report, the true adoption and benefits materialize when there is a culture of integrated thinking that drives an out-come based multi-capital approach through all layers of the organisation. To ensure organisational and cultural alignment towards holistic decision making and long term thinking, boards should

- Institute a governance structure focused on value creation
- Research has established that net assets of S&P 500 companies represented only around 19% of market capitalization in 2009, compared to 90% in the 1970s. This indicates that human, intellectual capital and other intangible assets not captured on the balance sheet now drive market value. Boards need to address this information gap, to express clearly and concisely how their organization manages risks, implement strategies and creates value over time. A broader definition of value builds a governance structure that looks at impacts on various capitals when making decisions.
- Encourage use of integrated reports when engaging with investors



thinking, which is the active consideration by an organization of the relationships between its various operating and functional units and the capitals that the organization uses or affects. This leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term, which are manifested in an external communication an integrated report.

Communicating the company's performance story is an important part of the board's responsibilities. Explaining strategy and the business model, providing relevant metrics and long term vision are key elements of building trust through communication with investors and other stakeholders. Rebuilding trust in business is an attribute which is earned and built over time and a measure of whether investors want to do business with the company and put their capital at risk. As custodians for investors and major stakeholders, boards are responsible towards protecting their investment as well as societal interests. An integrated report can be instrumental in providing stakeholders with the information that builds long term trust at

2013. Black Sun LLC did a survey of the pilot programme participants on the impacts and benefits of integrated reporting. The observations below reflect the internal benefits of alignment, embedding sustainability into business and positive relationship building with investors.

Integrated Reporting is increasingly being used by Boards to drive good corporate governance which is about the 'how of business' that drives responsible business behaviours and processes and ultimately results in transparency and accountability towards key shareholders.



The IIRC ran a three-year pilot programme for investors and over 100 businesses from around the world to experiment with and trial the integrated reporting concepts before launching the framework in

*\*Vrushali Gaud leads advocacy and outreach for the International Integrated Reporting Council (IIRC) in India.*

**CONTINUATION OF p:46**

## COMPLIANCE TO PRIVACY POLICY FOR DIRECTORS

\*William Fawcett

processed; it's specifically important for them to understand whatever mechanism you use to obtain consent.

4. If you don't have such a mechanism in place, establish one. Obtaining consent is crucial when collecting data from consumers as well as employees; for example, you must get a prospective team member's permission before collecting diversity-related information when adding them to your board, your executive team, and your general workforce.
5. Inquire into your data retention policies: make sure you're not holding onto data for too long.
6. Find out what steps your management team takes to ensure the accuracy and currency of the information that your company collects.
7. Confirm that any long-term data you store for research is anonymized, so that it's not personally identifiable.
8. Review the strength of your company's cyber security and educate yourself on best practices.
9. Review your protocol for responding to a security breach and disclosing it, if necessary, to the public. The GDPR requires that you respond to a security incident within 72 hours. Translation: you must have systems in place to alert you to a breach immediately; many infamous breaches in the United States have

taken weeks, even months, to detect.

10. Ensure that if you receive requests to delete an individual's data, you have the ability to locate it and expunge it from your records.

Are there questions I should be asking?

Begin by consulting the resources offered by the Institute of Directors. Additionally, your auditors and organizations similar to the Institute of Directors offer lists of questions that corporate directors can ask their management teams about GDPR compliance. The questions provided focus on GDPR readiness and exposure, personal data collection, data breaches, policies and programs related to the new law, and roles for GDPR compliance. We encourage you to look at the report for more information.

While GDPR compliance cannot be achieved overnight, it is possible and necessary. Considering the privacy and security of your employees and consumers, it's also a genuinely positive development. We wish you diligence and success as you set about bringing your policies up to date. ■

**\*William Fawcett, F.IOD is an experienced outside director and chief executive officer with over 30 years of international experience. He is currently the Chairman of Haverford Bermuda Limited. An attorney qualified in the US, the UK and Bermuda.**