Grant Thornton Bharat

Integrated reporting in India

Survey on adoption and way forward

December 2020

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Foreword - Grant Thornton Bharat

The ongoing pandemic has reinforced my belief that inclusive growth is more important to shape a #VibrantBharat than any other priority. Indian businesses must step up to this challenge as catalysts of employment, technological advancement and innovation.

Since the new Companies Act 2013, India has made significant progress in corporate reporting and disclosures. I believe this decade will see similar progress on integrated reporting, as it is an opportunity to not only differentiate yourself but to contribute to shaping a more vibrant Indian economy.

Almost 70% of those surveyed believe that integrated reporting will help them enhance stakeholder value, while the consensus seems to be that greater awareness and clearer guidelines will pave the way for more companies to adopt integrated reporting in India.

I am delighted that this report is being released at the Grant Thornton Bharat SABERA Awards 2020 that recognise the exceptional work done by individuals and organisations in India towards sustainable development goals (SDGs). Our firm works extensively with such stakeholders to build social capital, address gender inequalities, protect the environment for future generations and achieve the shared purpose of helping shape our #VibrantBharat.

Vishesh C. Chandiok
CEO
Grant Thornton Bharat

Foreword - IIRC

With intangible assets now making up 90% of market value in the S&P 500, businesses need to show their stakeholders that they create value and report on not just financial capitals but also intellectual, environmental, manufactured and human capitals. This is where integrated reporting can support.

Our Chair Emeritus at the International Integrated Reporting Council (IIRC), Mervyn King once said, and I quote, that "business is a part of society, not apart from society".

This has never been more true than this year, where businesses' resilience across the world have been strongly tested in the wake of the COVID-19 pandemic. Almost overnight organisations have needed to reprioritise the health and safety of their employees, customers and clients and local communities over their financial profit. They have had to rework their business models and strategies to reflect that.

With intangible, referring to non-financial, assets now making up 90% of market value in the S&P 500, businesses need to show their stakeholders that they create value and report on not just financial capitals but also intellectual, environmental, manufactured and human capitals to name a few. This is where integrated reporting can support organisations.

The International <IR> Framework helps organisations to gain a holistic view of their business by providing a clear overview of all their capitals, which is geared towards long-term value creation. Transparency of KPIs and culture can lead to enhanced trust in businesses, especially where this is balanced by honesty about performance and impact.

I am pleased to read in Grant Thornton Bharat's report on integrated reporting in India that 75% of the respondents believe that integrated reporting will help improve corporate reporting in their organisations. The case studies also underline the growing adoption of the International <IR> Framework in India. These are very good examples of the tangible benefits organisations can experience when adopting integrated reporting, which leads to financial stability and sustainable development where all can benefit and prosper.

Charles Tilley, OBE
CEO
International Integrated Reporting Council

Grant Thornton Bharat survey on integrated reporting - key findings

66% Of survey respondents believe that implementing integrated reporting enhances stakeholder value

56% Of survey respondents believe integrated reporting improves transparency and governance

65% Of survey respondents believe that provision of a clear framework by the government will drive adoption of integrated reporting

Reference to integrated reporting in corporate governance codes is the key driver for its adoption, followed by adoption of integrated thinking within organisations

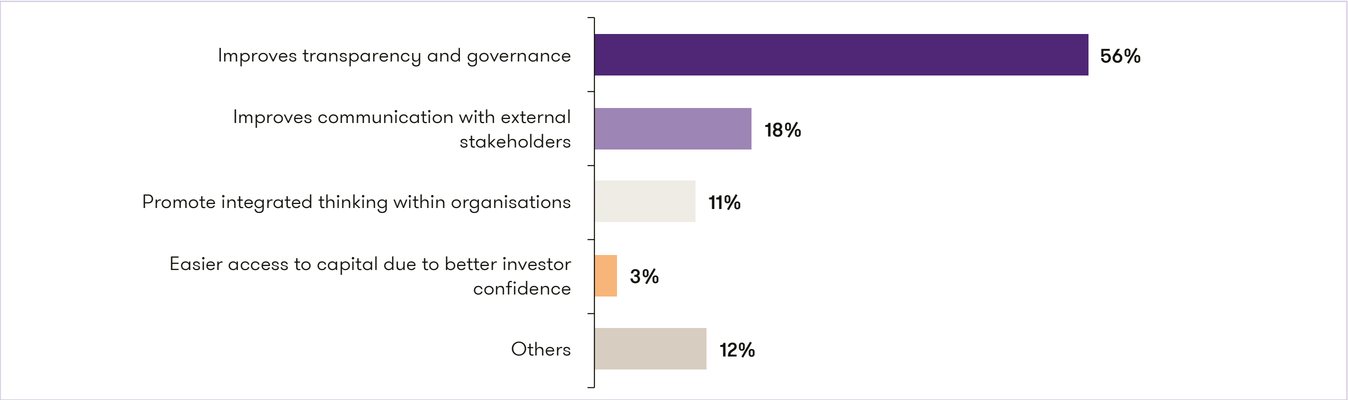
Adequate awareness of integrated reporting and its benefits

43%
Yes

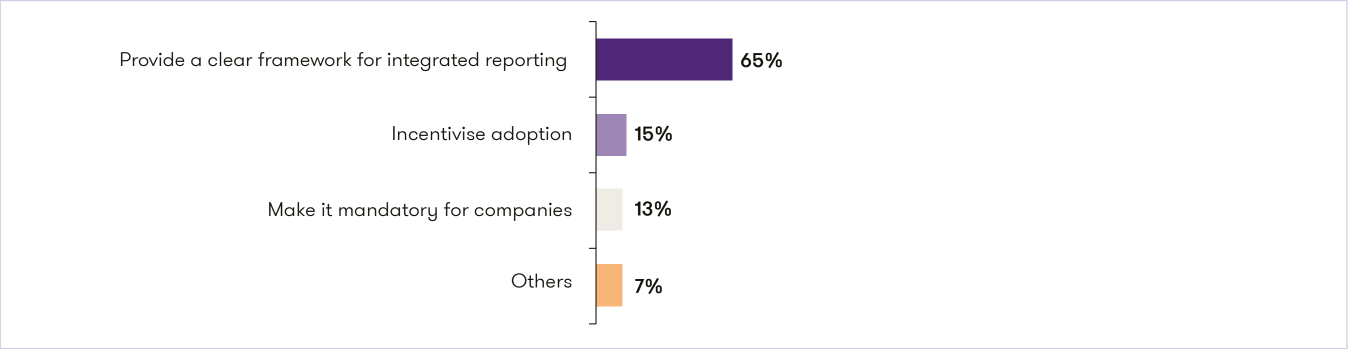
57%
No

Key drivers for adoption of integrated reporting

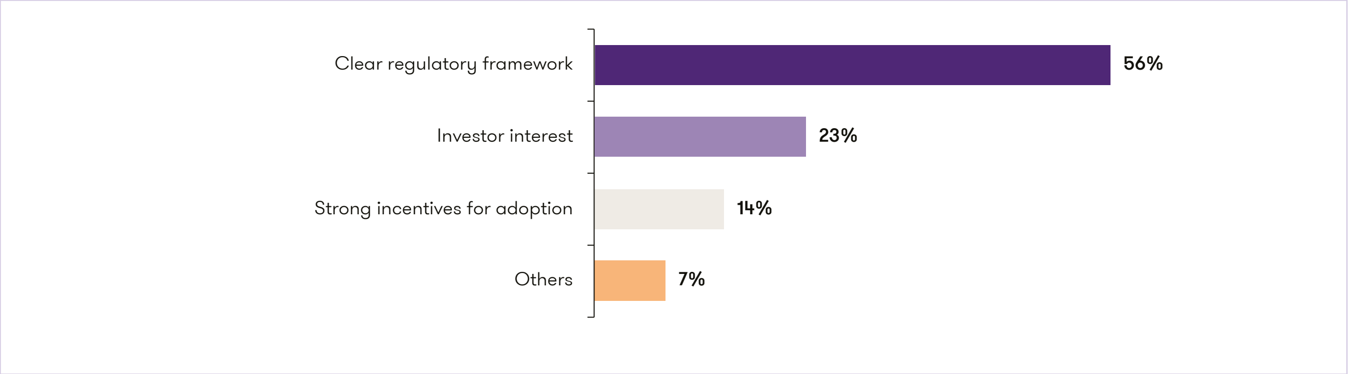
Key benefits of adopting integrated reporting



Suggested measures for the government and regulators



Global best practices that can promote greater adoption of integrated reporting



Overview of integrated reporting

Integrated reporting is conducted by organisations to communicate how their strategy, governance and performance has led to the creation of sustainable value[1] in the short, medium and long term. In other words, it is a holistic representation of financial and non-financial performance of an organisation.

This type of reporting allows organisations to provide a greater context to their non-financial data, showing how they have approached key concepts, such as sustainability and societal development, while meeting their business targets. As a result, in practice, it leads to clear and concise articulation of an organisation's value creation story, which is useful and relevant to all stakeholders.

Lately, organisations have realised that the current form of annual financial reporting takes a short-term approach and is inadequate to meet the needs of investors and other stakeholders. Therefore, the need for integrated reporting has been gaining momentum.

The practice of integrated reporting has been widely accepted since the release of an international framework by the International Integrated Reporting Council (IIRC), a global coalition of regulators, investors, accounting professionals, companies and non-governmental organisations. The international framework was released in 2013 and stands as a more holistic form of reporting the value that businesses create.

Key stakeholders

Organisations

Integrated reporting helps organisations to understand and communicate their impact and how they create value in a holistic way. This can help improve relationships with all stakeholders, reduce cost of capital and facilitate improved long-term performance, resilience and sustainable development.

Investors and other key stakeholders such as customers, employees, and regulators

Integrated reporting provides an understanding of businesses and their prospects, enabling better informed decisions.

Society

Enhanced business and investor performance increases economic prosperity, while appropriate consideration and management of all the capitals over the short, medium and long term promotes sustainable development and financial stability.

1 sustainable value creation: The behaviours and actions of an organisation across multiple financial and non-financial dimensions in order to manage the risks and opportunities associated with economic, environmental and social developments.

Capital disclosures

Integrated reporting relies on business disclosures through six capitals that guide businesses in decision-making and planning:

Financial capital	The pool of funds that is available to an organisation for use in the production of goods or the provision of services and obtained through financing, such as debt, equity or grants, or generated through operations or investments.
Manufactured capital	Manufactured physical objects (as distinct from natural physical objects) that are available to an organisation for use in the production of goods or the provision of services, including: buildings, equipment, infrastructure (such as roads, ports, bridges and waste and water treatment plants).
Intellectual capital	Intellectual capital (patents, software, etc.) includes reporting issues, such as expenditures on sustainability-related R&D, monitoring of sustainability related targets.
Human capital	Human capital includes reporting on people's competencies, capabilities and experience and their motivations to innovate, including their alignment with and support for an organisation's governance framework and risk management approach, and ethical values, such as recognition of human rights, ability to understand, develop and implement an organisation's strategy, loyalties and motivations for improving processes, goods and services, including their ability to lead, manage and collaborate
Social capital	Social capital (employees, community and customers) includes reporting issues related to employee well-being, such as adoption and enforcement of human and labour rights and community engagement programmes.
Natural capital	Natural capital (clean air, land, water, forests, biodiversity, etc.) involves reporting issues related to a company's understanding of scarcity of these natural resources, climate change strategy, carbon emission, water consumption and recycling.

How is an integrated report different from others?

	Financial reports	Sustainability reports	Integrated reports
Information	Financial statements and accounts	Primarily non-financial information	Financial and non-financial information with a focus on ESG factors covered through six capitals
Focus	Backward looking and present-day financials	Backward looking – impact of existing CSR projects	Focus on past, present and future-linked (short, medium and long-term) strategies
Framework	Reporting needs to be done in compliance with regulations and standards	Reporting as per GRI guidelines to measure and disclose sustainability data	Reporting follows an international framework provided by the IIRC
Users	Users are typically shareholders and investors	This is primarily used by a company's board. Also, shared with public and local communities	Appeals to a wider audience: shareholders, investors, employees, customers, local communities and government. An important source of information on how corporates are contributing to communities and sensibly utilising resources. Can be a great insight for governments to enable collective goals

Benefits for organisations

Why do businesses need integrated reporting?

In the wake of the global financial crisis, the need to promote financial stability and sustainable development by better linking investment decisions, corporate behaviour and reporting has become increasingly important. Both regulators and companies now realise the need for a fundamental change in reporting where the focus is not on the financial capital, but on demonstrating the value created by an entity while operating within its economic, social and environmental system.

Comparing traditional and integrated reporting

	Traditional reporting	Integrated reporting
Focus	Past and financial	Future, connected and strategic
Timeframe	Short term	Short, medium and long term
Detail	Long and complex	Concise and focus on material issues
Compliance	Rule bound	Responsive to circumstances
Presentation	Paper based	Technology based
Thinking	Silos	Integrated
Stewardship	Financial capital	All capitals (human, intellectual, social, natural and similar)

Integrated reporting and governance

Integrated reporting can facilitate effective communication of overall governance framework to stakeholders. It involves the consolidation of multiple aspects of an organisation's activities and operations and encourages articulation of how an organisation's strategy, governance, performance and prospects, in the context of its operating environment, can lead to value creation over time. An integrated report embodies all the following four pillars of governance:

Accountability

This refers to clarity of roles and responsibilities in an organisation. Defining who does what and how each role adds value is critical to a well-run organisation. Accountability involves tools, such as position descriptions and key performance indicators, aligned with strategic objectives, as well as an understanding of the skills required in an organisation to support its strategy.

Transparency

This refers to openness and clarity in internal and external reporting. Stakeholders have increasing expectations of organisations' reporting being more transparent than in the past.

Integrity

This is at the heart of good governance practice and drives how decisions are made, the values the organisation adheres to and its culture. When an organisation effectively builds integrity internally, this will drive the quality of relationships it has with all stakeholders.

Stewardship

This refers to how an organisation is 'steered' or guided to achieve long-term sustainability. Stewardship is a key responsibility of the board and involves maximising the employment of human, financial, natural, intellectual, social and relationship, as well as manufactured capital to add value and support the future prosperity of the organisation.

Benefits and impact

The Association of Chartered Certified Accountants (ACCA)[2] published a report in 2017 highlighting the benefits that could be achieved through integrated reporting, which highlights the incorporation of ESG value drivers[3] in a company's business model. The findings were drawn from a review of 41 corporate reports from organisations committed to adopting integrated reporting.

The key benefits of adopting integrated reporting are:

Improved decision-making: Management teams have found that integrated reporting provides greater insights into factors driving business performance. It has helped them better understand and connect the disparate sources and drivers of long-term value to enable better strategy formulation, decision-making and implementation through their business model.

Improved reputation and stakeholder relationships: Disclosure of key risks and opportunities enabled investors to assess the short, medium and long-term impact. Of the surveyed, 66% business leaders agreed that implementing integrated reporting enhances stakeholder value and 18% agreed that integrated reporting helps organisations improve communication with external stakeholders. As many as 56% of our survey respondents also feel that integrated reporting helps organisations improve overall transparency and governance.

This is also exemplified by research conducted by Fortune magazine, which found growing evidence to suggest that stocks of companies that meet high standards for ESG factors are likely to outperform the market.

More efficient reporting: This has led to companies witnessing improved data quality by applying metrics for financial and non-financial performance. This action of improved data collection has led to a more efficient reporting process for companies. Results from our survey concur, with 75% of leaders agreeing that integrated reporting enhances overall corporate reporting.

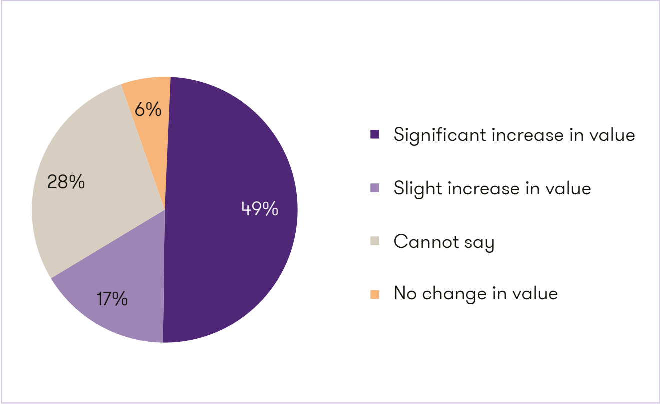
Employee engagement: As organisations begin integrating aspects of social development and governance within their business models, its employees feel more motivated and supportive towards their tasks and responsibilities. For example, Starbucks, which was struggling to expand its market share in China, found a breakthrough when it began offering healthcare to their employees' parents. Following this development and its subsequent reporting, the company's sales growth increased and the company expanded to 2,000 stores in China[4].

Improved gross margins: It has been highlighted that any financial benefit of adopting integrated reporting may take time to realise as investors and other stakeholders assess the impact of the company and its alignment of ESG related risks and opportunities with a company's business model and strategies. Further, organisations have been able to identify cost savings by analysing financial and non-financial metrics together.

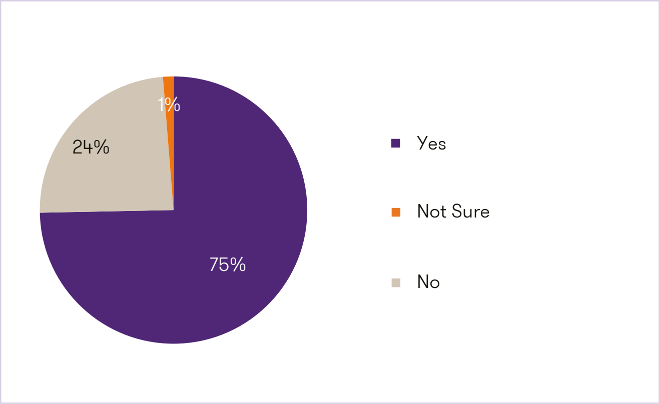
For example, companies have been able to record cost saving opportunities by focusing on reporting on ESG factors. For example, B&Q, a home improvement retailer, saved GBP 164 million through better energy, transport and waste management practices[5].

2 Insights into Integrated Reporting: Challenges and best practice responses, Association of Chartered Certified Accountants, 2017
3 ESG factors include using energy efficiently, using renewable energy, disclosing information on all environmental policies, keeping in place diversity and inclusion policies, etc.
4 https://www.nasdaq.com/articles/strong-esg-practices-can-benefit-companies-and-investors-2019-03-13
5 https://www.bioregional.com/projects-and-services/case-studies/how-we-helped-b-q-create-a-ground-breaking-sustainability-strategy

Do you believe that implementing integrated reporting will enhance stakeholder value?



Do you believe that integrated reporting will help improve corporate reporting?



Global landscape

Widespread adoption across markets

According to International Integrated Reporting Council (IIRC), over 2,500 large organisations have adopted integrated reporting in over 70 markets globally – including Africa, Europe, Asia, and South America, with more than 40 stock exchanges all explicitly sign-posting the international integrated reporting framework in their ESG reporting guidance.

In 2019, Sustainable Investments Institute (Si2) also reviewed how many companies in the S&P 500 issue sustainability and/or integrated reports, and the extent to which companies incorporate voluntary information on sustainability in their Securities and Exchange Commission (SEC) filings. While 78% of the index issues formal sustainability reports with performance metrics, 14 companies issued an integrated report in 2019. This is double the number from 2013[6].

The study found that the 14 integrated reporters addressed the concept of 'creating shared value for all,' the paradigm promoted by the IIRC. Integrated reporters are more likely to treat sustainability information as material to investment decisions. Half the integrated reporters (seven companies) offer integrated reports as their annual reports, while three offer them in addition to and separate from annual reports.

In the UK, over the same period, 20% of FTSE 100 companies referred to, or were influenced by, the international integrated reporting framework.

Global best practices

In 2009, The Prince's Accounting for Sustainability Project, International Federation of Accountants (IFAC) and the Global Reporting Initiative (GRI), came together to establish the IIRC, a body to oversee the creation of a globally accepted integrated reporting framework.

The organisation has been focused on developing globally accepted international integrated report frameworks that extract from organisations material information about their strategy, governance, performance, and prospects in a clear, concise and comparable format[7].

In 2013, IIRC released a framework for integrated reporting, following extensive consultation and testing by businesses and investors throughout the world, including 140 businesses and investors from 26 countries that participated in the IIRC Pilot Programme.

The framework establishes guiding principles and concepts that govern the overall content of an integrated report[8].

The following guiding principles have been outlined by the IIRC:

1. **Strategic focus and future orientation:** Provide insight into the organisation's strategy, its ability to create value in the short, medium and long term, as well as on the use and effects on capital expenditure
2. **Connectivity of information:** Present a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation's ability to create value over time
3. **Stakeholder relationships:** Provide insight into the nature and quality of the organisation's relationships with its key stakeholders, as well as consider and respond to their legitimate needs and interests
4. **Materiality:** Disclose information about matters relating to the organisation's ability to create value over the short, medium and long term
5. **Conciseness:** Should be concise
6. **Reliability and completeness:** Include all material matters, both positive and negative, in a balanced way and without material error
7. **Consistency and comparability:** Presents information consistently and in a way that enables comparison with other organisations

6 https://www.proxypreview.org/2019/blog-contributor-articles/new-report-benchmarks-integrated-sustainability-reporting-for-the-sp-500
7 https://integratedreporting.org/
8 https://integratedreporting.org/wp-content/uploads/2015/03/13-12-08-THE-INTERNATIONAL-IR-FRAMEWORK-2-1.pdf

Further, the IIRC has shared the following eight content elements that are fundamentally linked to each other, and should be considered while preparing an integrated report:

1 **Organisational overview and external environment:** What does the organisation do and what are the circumstances under which it operates?
2 **Governance:** How does the organisation's governance structure support its ability to create value in the short, medium and long term?
3 **Business model:** What is the organisation's business model?
4 **Risks and opportunities:** What are the specific risks and opportunities that affect the organisation's ability to create value over the short, medium and long term, and how is the organisation dealing with them?
5 **Strategy and resource allocation:** Where does the organisation want to go and how does it intend to get there?
6 **Performance:** To what extent has the organisation achieved its strategic objectives for the period and what are its outcomes on the six capitals referred to earlier?
7 **Outlook:** What are the challenges and uncertainties an organisation is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
8 **Basis of presentation:** How does the organisation determine what matters to include in the integrated report and how are such matters quantified or evaluated?

Adoption in key markets

United Kingdom

In July 2018, the Financial Report Council of the United Kingdom issued new principles of the UK's Corporate Governance Code for British companies to adopt integrated reporting and strengthen the alignment with the IIRC.

According to the principles of the new code, the board of the company should have the necessary 'resources' in place to meet its objectives. The code also states that directors and companies need to build and maintain successful relationships with a wide range of stakeholders that mirrors the integrated report framework designed by the IIRC. Further to this, the new code also calls on directors to describe their annual report on how the interests of a wide stakeholder community as set out in Section 172 of the Companies Act have been considered in board discussions and decision-making.

The IIRC has also highlighted two areas that enhance the alignment between UK Corporate Governance Code principles and integrated reporting:

- Provision 1 of the code underlines the board's responsibility to 'assess the basis on which the company generates and preserves value over the long-term' and describe 'the sustainability of the company's business model and how its governance contributes to the delivery of its strategy'.
- The code states that corporate governance reporting should 'relate coherently to other parts of the annual report – particularly the Strategic Report and other complementary information – so that shareholders can effectively assess the quality of the company's corporate governance activities'. In addition, 35% of the premium listed companies in the UK have adopted integrated reporting[9].

9 https://integratedreporting.org/wp-content/uploads/2020/05/IIRC_INTEGRATED_REPORT_2018.pdf

United States of America

In 2018, the Sustainable Investments Institute, with funding from the IIRC, drew up an analysis of the state of integrated reporting among the S&P 500 companies. According to the report, introductions of new integrated reporting frameworks from the IIRC and the Sustainability Accounting Standards Board (SASB) have raised expectations for companies to change on how they report on sustainability, as well as, on how they define their corporate identities and approach business in general[10].

South Africa

In 2010, The Integrated Reporting Committee of South Africa was set up to develop a guidance document on how to prepare an integrated report which was based on the principles outlined by the King III report on corporate governance. The King Code of Governance Principles for South Africa issued by King III is the main impetus for integrated reporting in the country. The principles and practice of King III are followed by companies on an 'apply or explain' basis, as of March 2010, when it became mandatory for Johannesburg Stock Exchange listed companies to either adopt integrated reporting or provide an explanation of not doing so.

Integrated Reporting and Disclosure principals of King III (Chapter 9)

Principle 9.1	The board should ensure the integrity of the company's integrated report
Principle 9.2	Sustainability reporting and disclosure should be integrated with the company's financial reporting
Principle 9.3	Sustainability reporting and disclosure should be independently assured

In January 2011, the IRC of South Africa released its first discussion paper, Framework for Integrated Reporting and the Integrated Report, which served as the basis for international development of the framework. This has also led to non-listed South African companies, mainly large state-owned private companies to publish integrated reports that comply with the principles of King III and guidance provided by the IIRC[11].

10 https://corpgov.law.harvard.edu/2018/12/03/state-of-integrated-and-sustainability-reporting-2018/
11 https://www.wbcsd.org/contentwbc/download/2920/37428

France

In July 2010, France took a significant step towards mandating integrated sustainability and financial reporting for all large companies with a new law called Grenelle II. According to Article 225 of Grenelle II, listed companies on the French Stock Exchange will be required to incorporate information relating to social and environmental consequences, as well as their societal commitments for sustainable development into their annual reports.

The law defined the implementation of this new process in phases, with large listed companies expected to comply in their 2012 reports and smaller companies expected to comply with their 2014 annual reports. The reports are approved by the Board of Directors, verified by a third-party body and given to the annual general meeting[12].

Japan

In April 2015, The Ministry of Economy, Trade, and Industry of Japan released a report recommending integrated reporting as a means for providing the necessary information to bring about better dialogue between companies and investors, in order to enhance corporate value creation. This report was released as Japan's Corporate Governance Code and came into effect on 1 June 2015. The code encourages listed companies to disclose their own value creation story including strategy, risks and governance. In line with this publication, the IIRC projects that around 180 businesses will be taking a step towards integrated reporting, in a bid to support sustainable growth in Japan[13].

12 https://blogs.oracle.com/sustainability/the-grenelle-ii-act-in-france:-a-milestone-towards-integrated-reporting
13 https://integratedreporting.org/news/japanese-report-calls-for/#:~:text=It%20recommends%20Integrated%20Reporting%20as,to%20enhance%20corporate%20value%20creation.

Evolving scenario in India

Corporate reporting in India is evolving with the changing regulatory environment, both nationally and globally.

Companies in India, produce multiple reports that serve different needs, including Annual Reports, Corporate Social Responsibility Reports, Business Responsibility Reports (BRR), Sustainability Reports (GRI guidelines and BRR guidelines) and reports showing compliance with emission and effluent standards.

This approach confuses readers of both financial and non-financial information of the business. Over the years, India has made significant progress in adopting integrated reporting, driven by a 2017 circular of the Securities and Exchange Board of India (SEBI) recommending that the Top 500 listed companies, which are required to prepare a BRR, consider using integrated reporting framework for annual reporting. In 2017, SEBI also formed the Kotak committee to help improve corporate governance in listed companies.

In 2017, India saw companies such as Tata Steel, Mahindra and Mahindra, Wipro, Reliance Industries publishing integrated reports. In 2018, more than 30 companies in the Nifty 50 adopted the integrated reporting framework. By 2019, more than 45 companies in the Nifty 50 were expected to have adopted this framework, linking their purpose and outcomes across capitals through their strategies and business models.[14]

50% of our survey respondents adopted integrated reporting due to its reference in corporate governance codes. The adoption of integrated thinking and interest from investors were other key reasons identified for adoption.

Corporates with integrated reporting framework in India

Category	Production
Financial services	Axis Bank, ICICI Ltd., HDFC Ltd., SBI Life Insurance, Yes Bank
Automotive	Apollo Tyres, Mahindra & Mahindra, Maruti Suzuki, Tata Motors
Consumer goods	Dabur, ITC, Marico, Tata Global Beverages
Metals & Mining	JSW Steel, Tata Steel, Tata Sponge, Tata Metaliks, Vedanta
Software services	Hexaware, Mindtree, TCE, Wipro
Utilities	Adani Transmission, JSW Energy, VA Tech Wabag
Oil & Gas	Indian Oil, Reliance Industries
Others	Bharti Airtel, Bharti Infratel, Cipla, Havells India, Indian Hotels, Larsen & Toubro, Tata Chemicals, Thomas Cook India, Titan, Voltas

14 https://integratedreporting.org/news/integrated-reporting-in-india-2019/#:~:text=Over%20the%20past%20few%20years,in%20corporate%20reporting%20and%20disclosures.&text=One%20key%20driver%20was%20the,IR%3E%20Framework%20for%20annual%20reporting.

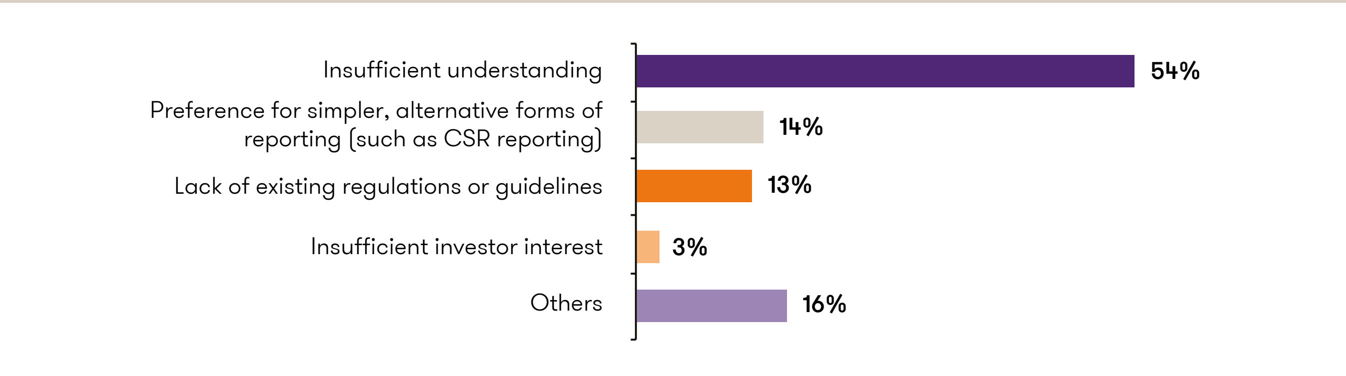
Key roadblocks for integrated reporting

There is a need for creating awareness of integrated reporting and its advantages in India. 57% of our survey respondents believed they do not have enough awareness of integrated reporting and its benefits.

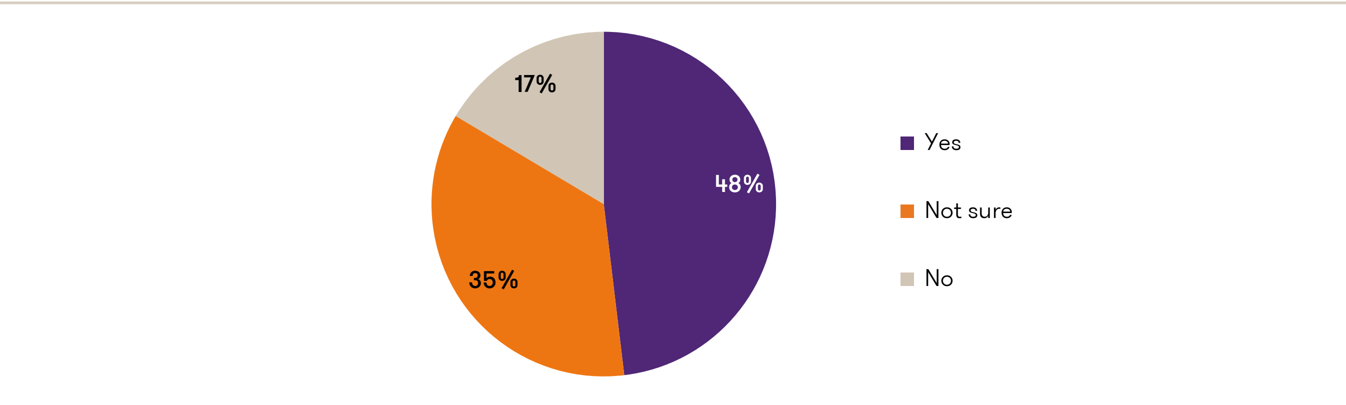
Companies are required to report the same information in varying ways and formats. When asked about the steps government and regulators could take to promote integrated reporting adoption, 63% respondents highlighted the need for a clear framework and 16% cited incentivising adoption.

Almost 50% of business leaders surveyed believe implementing integrated reporting will require additional costs, expertise and skillset. In addition, lack of investor push was also cited as a key challenge to integrated reporting adoption.

What are the current challenges in adoption of integrated reporting?



Do you foresee the requirement for significant additional costs, expertise and skillsets to be able to implement integrated reporting?



Industry insights: Cipla Ltd.

Kedar Upadhye

Global Chief Financial Officer at Cipla Ltd.

Our motivation to adopt integrated reporting was to raise Cipla to global standards of disclosures and develop closer engagement with the stakeholder community, by enhancing the transparency of disclosures. Integrated reporting helps to achieve both these objectives. It also put an onus on us to track the goals that we disclose externally, to create a community and sponsorship for these goals internally as well as set a roadmap to achieve them.

Cipla as a company has always set high global standards. We have taken aggressive calls in the past in all the integrated reporting capitals, such as our HIV related announcements. Through integrated reporting, we can enhance communication, transparency and engage with multiple stakeholders.

The response from all stakeholders has been outstanding. As part of the management committee of a large company, I regularly analyse a large amount of data across various projects and initiatives being implemented by the company. However, externally, when a company commits to this level of transparency and starts measuring it – stakeholders really appreciate it. It helps bridge the information asymmetry with external stakeholders, who can understand the company beyond just the P&L, balance sheet and cashflow. They start associating the company with transparency, corporate citizenship and strong governance - this strengthens the reputation of the company, which in turn increases the desire to do more.

With Cipla now seen as one of the leading companies in India in terms of reputation and corporate governance, other market players may also be motivated to adopt integrated reporting. India has strong governance in many aspects, but some areas still need to be raised to global standards – and reporting and disclosure transparency - is one such area. If bigger companies adopt this practice, it will become the formal standard across sectors and thereby benefit the overall economy.

Sustainable growth and the types of capital that we talk about in an integrated report are a must. For any appreciation of the business model of a company, the kind of disclosures one makes in an integrated report are necessary. In my view, looking only at the financials is not enough. One must also consider the risks a company faces as well as the opportunities that are available. I believe integrated reporting should be made mandatory and I feel that this may happen in time. IndAS for instance was introduced a few years ago and companies now adhere to significantly higher levels of disclosure than earlier.

It is important to note however, that moving to integrated reporting requires time commitment and it may be advisable to hire external consultants that are specialised in this area in the first year. The financial cost is not high in my view and is a good cost to be committed for stakeholder benefit. The tone from the top is also critical as no company will be perfect across all areas covered in the report. It is important to be aware that it is a journey and over time one will reach the desired goal.

Identify appropriate internal leaders and teams who are best placed to communicate details of the integrated report to diverse stakeholder groups, such as investors, shareholders, customers, the government, among others. It is also vital that the audience of the report are not overloaded with hundreds of pages of content, photographs and data. The information needs to be succinct and precise – for instance, I have directed my team to ensure that not more than five pages are dedicated to each of the six capitals in the report.

The government has a crucial role to play in greater adoption of integrated reporting in India. Templatisation, framework and guidelines will help overcome definition issues and make the reports comparable. Some companies may find that they are not very well placed on all the capitals. The government should ensure that higher disclosure does not come with penalties and recognise that by disclosing, companies will track and improve upon the areas where they may not meet current industry standards.

Professional services firms can also drive adoption by publishing relevant thought leadership, frameworks and best practices from India and across the world and helping businesses understand the benefits of integrated reporting, particularly mid-sized and smaller firms. Most large firms are likely to adopt integrated reporting as a matter of hygiene and global reputation in coming years. However, it is a must to do now – it is no longer a ticket to win but is a ticket to play.

Industry insights: Dabur India Ltd.

Lalit Malik

Chief Financial Officer at Dabur India Ltd.

Stakeholders and investors no longer look at only profitability and growth, but the overall value addition made by an organisation to all its stakeholders. Though it is voluntary, Dabur has adopted integrated reporting to be responsible and transparent with stakeholders regarding our sustainability actions and investments. It has also helped us drive internal tracking and benchmarking of our progress towards our goals and vision.

We have defined KPIs and monitoring processes in place across all the six capitals that are covered in an integrated report. In addition to financial goals, functional heads are measured on achievements in areas, such as human capital, including, diversity, mental and physical wellbeing of employees, learning and development, and COVID-19 protection measures, to name a few examples.

Dabur also has very clear internal guidelines around social responsibility. Business heads are responsible for driving initiatives that are required for the wellbeing of the society at large. We have pre-approved expenditure to support community initiatives across various areas, including women empowerment, employment creation, water conservation, plastic waste management, and solar energy projects.

When looking at manufactured capital, Dabur has focused on reducing waste, increasing productivity and efficiency, as well as investing in automation and technological advancement, while ensuring employee health and safety. We have also set up operations in less developed areas, to increase income and employment opportunities for the local population.

While doing all of this, we have been careful to minimise the environmental impact of our operations. Dabur has clear action plans regarding waste segregation, recycling, waste-water management and increasing utilisation of solar power in our manufacturing units. We also have a plastic waste management initiative and are now recycling almost 60% of the plastic used. All these measures are not only good for the environment but are ensuring sustainable growth in addition to financial gain.

We have seen clear benefits of this approach, as investors give a lot of importance to these activities and are increasingly looking at holistic growth, beyond just financial numbers. Dabur's steady growth in market capital is a testament to this. These actions have also created a lot of trust in the organisation's performance and corporate governance, which in turn has increased our brand value.

Implementing integrated reporting certainly adds to costs in the short term as you must monitor, review and report progress on a number projects. However, this is not significantly high and taking an integrated approach only helps to improve productivity, efficiency and bottom line in the long term.

It is also important to take a 360-degree view of all stakeholders and communicate differently to each group. We use multiple platforms to convey the actions we are taking across all six types of capitals, including new product launches, board meetings, digital platforms, social media and investor conferences, to name a few.

I believe integrated reporting should have a wider application and not only be limited to the top 500 companies. The government can help drive greater adoption by incentivising organisations and recognising the contributions of companies that have implemented this. However, directionally, it does need to start from the larger companies and move gradually to the smaller ones. The government should have a dashboard of these KPIs, which will eventually help in improving ease of doing business rankings as well as enhancing India's global brand.

We can also learn from the best practices applied in other countries and the goals set by the UN, and tailor them to suit the Indian demographics and scenario.

Professional services firms can help bring structure and standardization to Integrated Reports. Today organisation are preparing integrated reporting as per their best understanding. However, with standardisation, we can conduct benchmarking to show how corporates are performing vis-à-vis others and identify any gaps that need to be bridged. This will help speed up the process of adoption and speed of execution in India.

Industry insights: Vedanta Resources Plc.

GR Arun Kumar

Executive Director (Vedanta Limited) & Group Chief Financial Officer at Vedanta Resources Plc.

Vedanta has always focused on creating more value for all our stakeholders and with integrated reporting, we are able to provide a view on how we focus on the strategy, governance, performance and prospects of the organisation. It helps provide greater context to non-financial data, such as performance on ESG parameters and how sustainability is embedded in the core business strategy. It requires thinking about value beyond just financial terms, which I believe was a long overdue development, given that around 80% of the value of company is typically in intangible assets.

Integrated reporting also helps stakeholders analyse and assess the company's ability to create and sustain value in the medium and long term. Erstwhile reporting focused more on the short-term approach to a company's current performance, ignoring the connection between financial results and sustainable performance. Investors, an important stakeholder group, are increasingly seeking greater transparency in disclosures by companies and recognising direct impact of non-financial metrics on the company's economic value.

In a natural resources company, the key is how the company has performed over the years and created value during the year. Vedanta has been issuing integrated reports since FY 2017-2018, and Hindustan Zinc, the listed subsidiary has issued its first integrated report in FY 2019-2020.

An integrated report benefits everyone interested in knowing the company and become an integral part of it. It helps business verticals get a clearer understanding of cause and effect and decision making. It also correctly identifies ESG related risks and opportunities that provide a competitive edge over peers in the long term, which can help lower the cost of capital through various ESG or green bonds and increase brand value and loyalty.

Implementing integrated reporting surely enhances stakeholder value. Erstwhile reporting was particularly for compliance purposes. Stakeholders need a more forward-looking focus without companies providing their own forecasts and projections. An integrated report provides insight into the nature and quality of the company's relationships with its key stakeholders, including how and to what extent the company understands, takes into account and responds to their needs and interests.

Though a beneficial concept, implementing integrated reporting is challenging. There is question of providing assurance for the reported data and the need to establish clear standards. In addition, measuring and quantifying non-financial metrics and integrating these with financial performance is a complex task. Data sources for non-financial information are diverse, inconsistent and the systems for consolidation and reporting of these are less automated than financial data, which is easier to capture.

There is also a question of materiality. Materiality will differ depending on the sector and a company needs to consider how to describe the disclosures without losing competitive advantage. Though financial resources will not be a limitation to adopting and implementing integrated reporting, organisations, with the support from regulators, need to provide training to their professionals on the skills and knowledge required to successfully implement it and create awareness.

Over the past few years, India has seen remarkable progress in corporate reporting and disclosures. To drive greater adoption, the government and regulators should take steps to share and promote the view that communication about businesses' value creation is the next logical step in the evolution of corporate reporting. Further, they should provide support and expertise during the development of the Integrated Reporting Competence Matrix.

Indian companies can learn and adopt from global best practices. For example, identifying the company's long-term value - an integrated report needs to include critical elements that address the company's business model, materiality of issues that affect value creation and stakeholder engagement. Companies can also apply global best practices to understand what investors' really need, even though they might not be asking for it right now.

Though integrated reporting will not replace other forms of reporting, it provides stakeholders with access to all relevant information. Overall, it will improve corporate reporting by focusing on the multi-capital approach, such as intellectual capital, natural capital, social capital, among others.

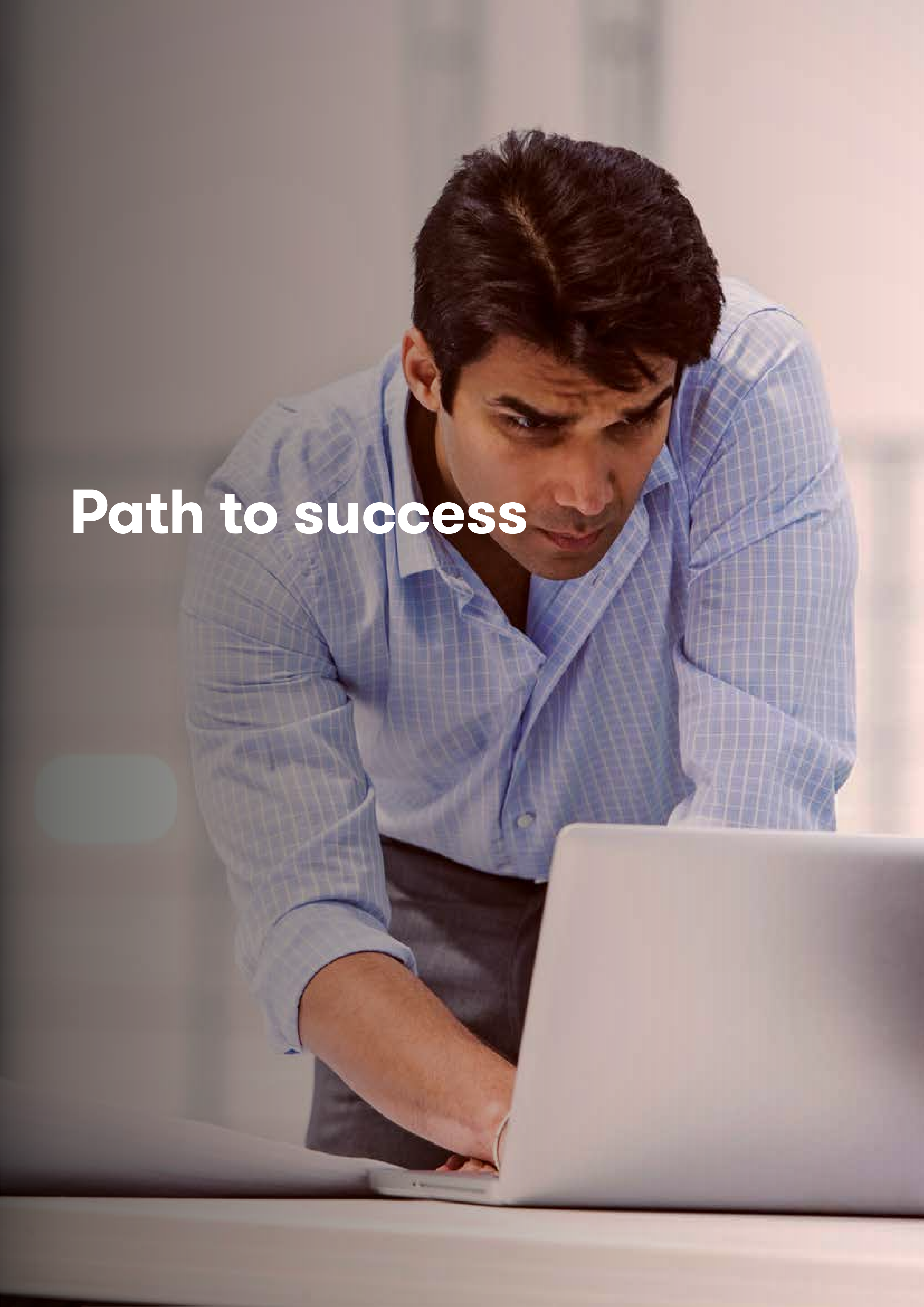
Our view

COVID-19 has had a significant impact on business activity and to the global economy. It has highlighted that in addition to focusing on financial capital, impacts, risks and opportunities related to environmental, social and economic contexts within which an organisation operates also need to be recognised. This entails rethinking reporting practices to ensure that investors and stakeholders get a holistic view of the prospects of an organisation.

Integrated reporting, which takes a multi-capital approach, is critical for assessing the performance of companies. While most business leaders surveyed as part of our study believe that integrated reporting will help to improve corporate reporting overall, more than half felt there isn't enough awareness of the practice and its benefits. Improving awareness, coupled with clear regulatory guidelines and incentivisation of the practice, as well as increased investor demand will help drive greater adoption in India.

Amit Kumar Bajaj
Partner, Grant Thornton Bharat

Path to success



Role of the board

Transitioning to integrated reporting is an incremental process, which will evolve over time. Organisations can plan to produce an integrated report in accordance with the integrated reporting framework and must ensure a robust change management plan. It is important that there is strong support at board level to articulate how the integrated report will add value. Outlined below are some critical success factors, which will assist in transitioning to integrated reporting.

As the board has the ultimate responsibility for governing an organisation, a commitment to integrated reporting from the board, as well as their participation in the planning process, is vital. This does not, however, work in a vacuum. For a successful integrated reporting in an organisation, a strong, cross-functional project team that also has management support and participation needs to be established to ultimately deliver the integrated report.

Once a board understands the value of transitioning to integrated reporting, the degree of board involvement will vary. Some options available to a board in terms of involvement in the integrated reporting process include:

- drafting sections of the document
- regular monitoring of the process through status reports received from the project team
- appointing a representative member from the board to provide feedback to the management team as the process develops.

Ultimately, the willingness of a board to support the transition to integrated reporting, to endorse the approach and foster the required organisational culture by encouraging organisation-wide support for the transition, will have a strong impact on its success.

Structured implementation approach

Integrated reporting requires the synthesis of complex information from sources across an organisation.

One of the benefits of preparing an integrated report is that through the process of integrating thinking, there is a real opportunity for an organisation to connect different functions and business units to clearly articulate the organisation's strategic direction.

An essential element in the successful implementation of integrated reporting is the establishment of a strong and committed project team, reporting to a board sponsor or sub-committee, to take responsibility for moving the project forward. The composition of the project team will have a significant impact on the final content of the integrated report.

This team may consist of staff from governance, risk management, legal, finance, human resources, strategy, brand, communications, internal audit, sustainability and/or investor relations, functions of the organisation, among others. Individual team members will contribute in their own capacity, but also need to be dedicated to the cross-functional project team.

Once the move to integrated reporting is endorsed by the board, the process of implementation can enable the project team to present the organisation's strategy in a manner that can be better understood by everyone. This is also a way for the board to be fully involved in the articulation of strategy for the organisation – which is one of their critical responsibilities. A common language can be developed around the presentation of the strategy in the organisation's value-creation process.

An organisation should see this as a unifying process, helping to create consensus around the drivers of value. Implementation of integrated reporting and development of the integrated report will help people within an organisation think holistically about how the business model, operating context, strategy, governance, remuneration, performance and future outlook are currently presented.

The organisation can review the entire corporate reporting suite and determine what an organisation's 'future state' reporting will look like. The project team can consider the types of reports an organisation currently produces, such as financial statements, sustainability reports, investors' briefings, other statutory reporting and so on, and develop a 'connected story' for the organisation. For example, organisations can leverage the structure and messaging from an integrated report into all market and investor updates.

The reporting landscape can be complex and despite all the information provided by an organisation, investors are usually seeking one place where they can find an organisation's value creation story. The integrated report draws material information from all corporate communications and other information and provides connectivity to the value-creation story by bringing together disparate parts of an organisation.

Role of the finance function

The finance function needs to develop a mindset and respect for an integrated perspective to add value to the integrated reporting process. They have long been the custodian of the 'business perspective' in organisations due to their central position in financial reporting, financing and treasury activities, planning and budgeting as well as financial analysis. As the finance function embraces and evolves its activities to support integrated reporting, its actions in reaching out to facilitate integrated planning and management sends a powerful message to the organisation.

Finance teams play a central role in supporting integrated thinking in the following areas:

Connectivity	External value focus	Integrated planning	Effective governance and oversight	Integrated communications
Finance functions can ensure that all aspects involving people, processes and systems are better connected.	An external focus is a critical starting point for identifying and articulating how value is created and destroyed. Finance teams can help to analyse data from a range of sources on topics, such as business trends, product impact on society and stakeholder views.	The insights gained from an external value focus form the basis of integrated planning. This involves identifying and managing significant matters affecting value creation over the short, medium and long term. Integrated planning allows the board and senior as well as other management to be aware of the significant risks and opportunities the organisation needs to manage proactively as part of their decision making.	Finance functions can begin to educate and train other parts of organisations on how to ensure that their non-financial data achieves the same quality and credibility as financial data.	Finance functions play a significant role in creating a more integrated environment by reinforcing the relevance of the capitals in the performance management and reporting cycle. Integrated thinking should lead to better disclosure rather than more disclosure by linking to the information used by internal decision makers.

Way forward

Going forward, promotion of integrated reporting can take place in the following ways, with governing bodies in India taking the lead:

In 2017, SEBI called for the top 500 listed Indian companies to undertake integrated reporting. The Bombay Stock Exchange (BSE) is also working on building integrated reporting into their corporate governance scorecard, to assess companies listed on their stock exchange. Government endorsement of such measures will lead to greater promotion of integrated reporting.

Policies could be implemented to promote the use the United Nations Sustainable Development Goals (SDGs) to identify sustainability issues and demonstrate a company's contribution to a global initiative. The best practice would be to make it mandatory for certain companies (top performing companies) to record SDG targets that the company is committed to meet by 2030 – and measure its performance towards achieving this on a periodic basis.

Associations and governing bodies can look at recognising companies for the preparation of superior integrated reports. For example, in 2019, The Institute of Chartered Accountants of India (ICAI), in its ICAI Awards for Excellence in Financial Reporting, added integrated reporting as an award category.

Industry associations, such as CII and FICCI can work with IIRC to increase awareness through panel discussions, seminars, webinars and other campaigns to enhance knowledge of integrated reporting and its benefits.

The government can provide incentives for companies that plan for long term and increase recognition for businesses that are trusted in their communities, responsive to the needs of their workforce and conscious of preserving the environment around them.

As integrated reporting gains more attention, it will help companies not just enhance corporate governance and demonstrate responsible leadership but also strong international reputation. It will also provide a platform to voice their opinions about maintaining trust in businesses and shifting to long-term investment models.

Our view

The government, through MCA and SEBI can consider encouraging more companies to prepare and publish integrated reports. This can be done by publicly acknowledging those that are preparing such reports and implementing policy initiatives, such as suitable amendments to Listing Obligation and Disclosure Requirements and Companies Act. While it could be cost prohibitive for smaller companies to prepare detailed reports, therefore we recommend the focus be on top 200 listed companies or those that have a market capitalisation of INR 750 crore or above.

Integrated reporting in India **33**

About Grant Thornton Bharat

Grant Thornton Bharat is a member of Grant Thornton International Ltd. It has 4,500+ people across 15 offices around the country, including major metros. Grant Thornton Bharat is at the forefront of helping reshape the values in our profession and in the process help shape a more vibrant Indian economy. Grant Thornton Bharat aims to be the most promoted firm in providing robust compliance services to dynamic Indian global companies, and to help them navigate the challenges of growth as they globalise. Firm's proactive teams, led by accessible and approachable partners, use insights, experience and instinct to understand complex issues for privately owned, publicly listed and public sector clients, and help them find growth solutions.

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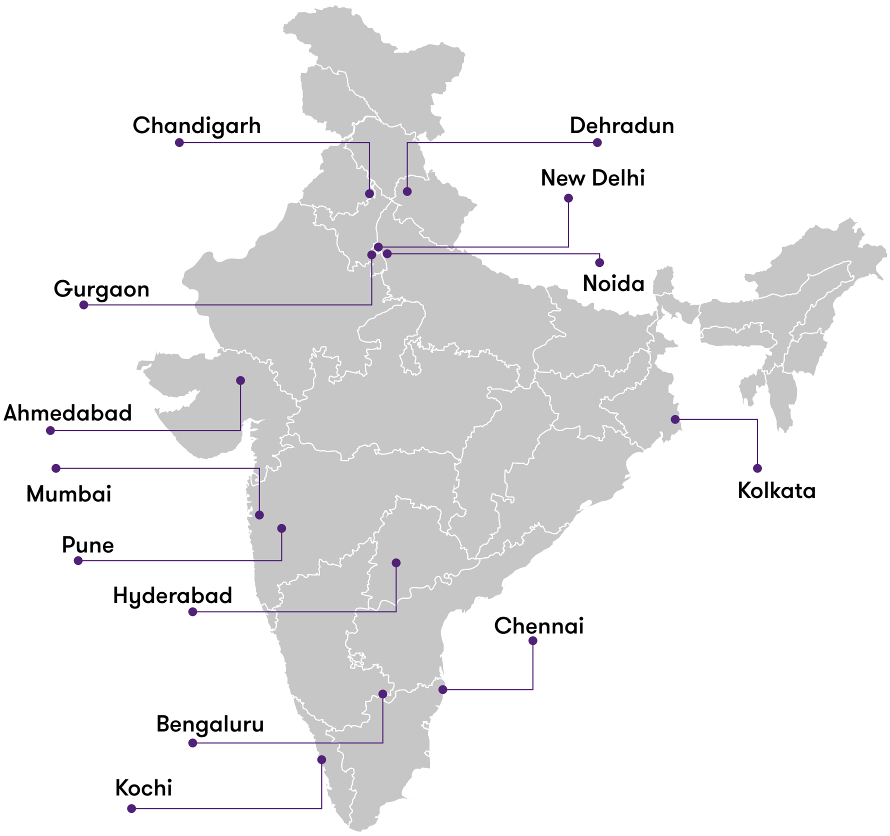

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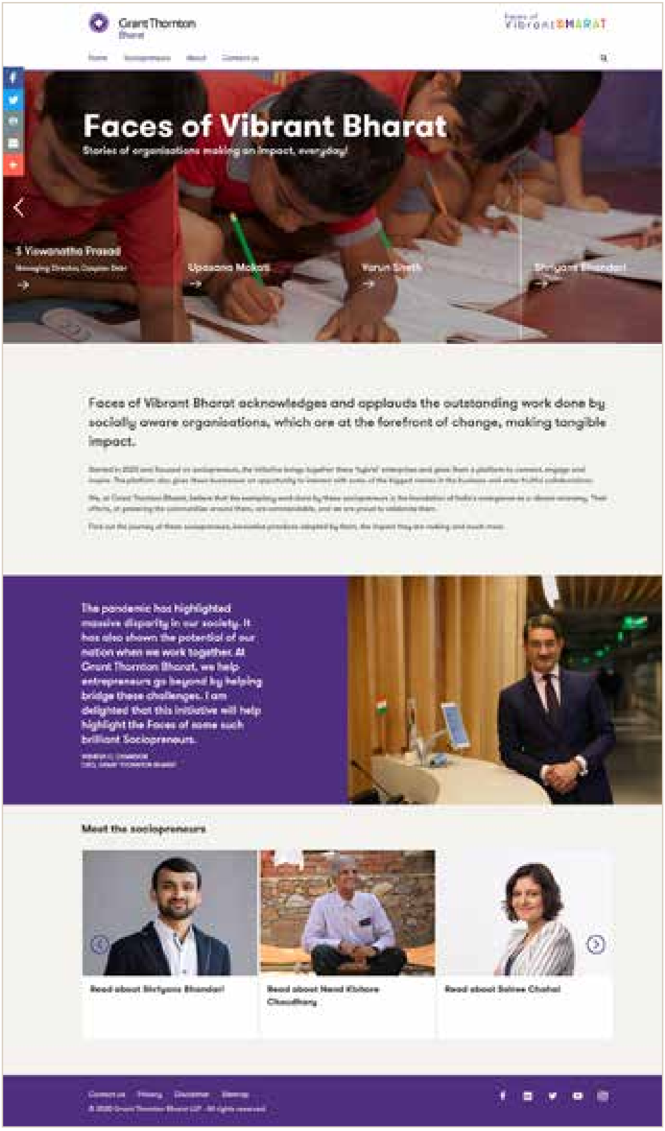
Faces of Vibrant BHARAT

Stories of organisations making an impact, everyday



What happens when business goals and social impact are in tandem? It creates socially aware organisations leading the change. **Faces of Vibrant Bharat** is a celebration of the pathbreaking work done by these sociopreneurs. It acknowledges and applauds the outstanding work done by socially aware organisations, which are at the forefront of change, making tangible impact.

Started in 2020 and focused on sociopreneurs, the initiative brings together these 'hybrid' enterprises and gives them a platform to connect, engage and inspire. The platform also gives these businesses an opportunity to interact with some of the biggest names in the business and enter fruitful collaborations.

Our Faces of a Vibrant Bharat reflect that collective effort can lead to long-term change. Their grit and passion combined with out-of-the-box ideas and unwavering commitment is what ticks them.

We, at Grant Thornton Bharat, believe that the exemplary work done by these sociopreneurs is the foundation of India's emergence as a vibrant economy

Know any sociopreneur we could feature? Connect with us by clicking here.

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