

# CHAPTER 20: INTEGRATED REPORTING FRAMEWORK; GLOBAL REPORTING INITIATIVE FRAMEWORK; BUSINESS RESPONSIBILITY & SUSTAINABILITY REPORTING

## QUESTION 1:

**Integrated reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. Explain integrated reporting and the content elements of an integrated report. (7 MARKS) (JUNE 2025)**

- (i) Integrated reporting is a process found on the premise of integrated thinking which results into a periodic integrated report which discloses the value creation by an organization over the time and related communication about aspects of value creation.
- (ii) It is a report that discloses the material information about the strategy / governance/ performance which provides a clear and concise presentation of how the organization creates value, in short / medium / long term.
- (iii) There are 8 content elements that are linked for effective integrated reporting and are posed in the form of questions which are to be answered in the report.

Following are the 8 content elements:

1. **Organizational overview and external environment:** what does the organization do and in which circumstances it operates? (It includes the company's culture, values and details about the industry in which it operates.)
2. **Governance:** How does the governance structure promotes value creation in the short/ medium / long term? (here, the company generally discloses its leadership structure, governance policies and relationship with the stakeholders)

3. **Business model:** what is the organization's business model? (here, the company reports about the activities it performs, for generating revenues)
4. **Risks and opportunities:** what are the specific risk and opportunities which may affect the organization's value creation ability in the short/medium and long term? (In this the organization reports the risks and opportunities which may hamper the organization's value creation.)
5. **Strategy and resource allocation:** where does the organization wants to go and how does it intend to go there? (In this the company discloses its short/medium and long term strategies as well as its existing resources and how they are allocated.)
6. **Performance:** To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals? (In this the company represents their progress as well as the impact on the capital)
7. **Outlook:** what are the challenges the organization feels it is likely to encounter in its objectives?
8. **Basis of presentation:** how does the organization determines what matters to include in the integrated report and how are such matters quantifies or evaluated?

**QUESTION 2:**

Mani, Managing Director of Hoys Manufacturing Ltd, had completed his MBA from Stanford. He always believed that the best way to expand a business, is by staying relevant and in sync with technology. He was part of various industry forums and was actively representing and voicing industry concerns to the government. He was attending one conference in Davos, wherein industrialists from different countries were presenting their views on the business dynamics and challenges. One of the speakers at the conference, was highlighting the importance of integrated reporting framework. Mani was inquisitive as he had not heard of this concept. Once he was back to India, he discussed this with Jay, Financial Controller and Vijay, Company Secretary of the Company. Vijay explained that integrated reporting is part of an evolving corporate reporting system. The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates, preserves or erodes value over time. Mani was inquisitive to know more about integrated reporting and he told Vijay, that these details should be discussed with other Board of Directors as well. In this context, prepare a detailed report explaining integrated reporting and its benefits. Also elucidate the challenges in implementation of integrated reporting. **(8 MARKS) (DEC 2024)**

**ANS:**

- (i) Integrated reporting is a process found on the premise of integrated thinking which results into a periodic integrated report which discloses the value creation by an organization over the time and related communication about aspects of value creation.
- (ii) It is a report that discloses the material information about the strategy / governance/ performance which provides a clear and concise presentation of how the organization creates value, in short / medium / long term.
- (iii) Integrated thinking helps boards and management better understand how value is created, leading to smarter decisions. When integrated thinking becomes part of daily activities, it naturally shows up in both internal and external communication. In this way, integrated thinking and integrated reporting support and strengthen each other.
- (iv) Benefits of integrated reporting:
  - Provides a holistic picture of the Company.
  - Enhances transparency and accountability on corporate governance.
  - Encouraging your organization to think in an integrated way.
  - Linking of non-financial performance more directly to the business.
  - Creating value for stakeholders through identification and measurement of non-financial factors.
  - Improved internal processes leading to better decision making.
- (v) Challenges faced by integrated reporting includes following:
  - The conventional report is very lengthy, so it is challenging to make it concise.
  - Another limitation of integrated reporting is, it doesn't provide detailed information. Also, it includes non-financial information, due to which it is more time-consuming to prepare.
  - It requires high expertise for understanding this report because it is a concise report explaining the matter in summary.
  - Keeping the report concise is challenging. It's hard to stay brief while still giving enough context to explain how the organization creates value and performs.
  - Few other challenges include:
    1. Lack of standardization,
    2. Reluctance in disclosing sensitive information,
    3. Lack of importance of non-financial information, associated cost of reporting, difficulties with measuring and linking sustainability performance.

**QUESTION 3:**

A manufacturing Company based at Chennai wanted to assess its sustainability performance, identify areas for improvement and take action to enhance its sustainability with a view to improve its reputation and brand image, foster innovation and competitiveness. The Company is proposing to publish an annual sustainability report that would be made available to stakeholders including employees, customers, shareholders and the wider community. In this regard, the Company proposed to conduct a comprehensive sustainability audit. The scope of the audit would include the Company's operations, supply chain and product life cycle. The audit would focus on the Company's impacts on the environment, energy and resource use, waste generation, greenhouse emissions as well as its social and ethical responsibilities. You are a part of a reputed firm of Company Secretaries, based at Chennai, having a core team of subject matter professionals, with skills and knowledge, to provide innovative sustainability audit services that meet varied needs across a wide range of industries. As a Company Secretary, capacitated to conduct sustainability audit of organizations, you have been assigned to conduct a sustainability audit of the said manufacturing company. In this regard, you are asked to prepare a sustainability audit process flow briefing the manner in which such an audit may be conducted. **(7 MARKS) (JUNE 2024)**

**ANS:**

Sustainability audit is a comprehensive assessment of an organizations environmental, social and economical impact, the purpose of the same is to identify areas where the organization can improve its sustainability performance and to minimize the impact on environment society and economy.

In other words, sustainability audit identifies the strength and weakness which allows companies to develop a sustainability strategy and set goals.

A sustainability audit may be conducted in the following manner:

- 1. Defining the scope and objectives:** It means identifying which parts of the organization's operations will be examined and what specific sustainability goals the audit aims to achieve.
- 2. Data collection:** Gathering data involves collecting information about the organization's environmental, social, and economic impacts. It also includes examining the policies, procedures, and practices related to sustainability.

3. **Conducting assessments and evaluations:** This step involves reviewing the collected data and assessing the organization's sustainability performance. It usually includes benchmarking the organization's results to industry standards and best practices.
4. **Preparing a report:** The report should be clear, brief, and practical, aiming to inform and engage stakeholders effectively.
5. **Implementing and monitoring actions:** This step involves implementing the recommendations from the report and tracking progress over time to make sure sustainability goals are achieved.
6. **Reporting and communicating:** Present a report on the sustainability audit findings, highlighting the performance assessment outcomes, key areas for improvement, and the proposed action plan. Share this information with stakeholders such as employees, customers, shareholders, and the regulatory bodies.

#### QUESTION 4:

**Discuss the guiding principles for preparation and presentation of an integrated report. (5 MARKS) (DEC 2021)**

#### ANS:

- (i) Integrated reporting is a process based on the premise of integrated thinking which results into a periodic integrated report which discloses the value creation by an organization over the time and related communication about aspects of value creation.
- (ii) It is a report that discloses the material information about the strategy / governance/ performance which provides a clear and concise presentation of how the organization creates value, in short / medium / long term.
- (iii) Guiding principles form the foundation for preparing an integrated report, influencing both its content and the way information is presented. These guidelines are applied individually and collectively to guide the preparation and presentation of the integrated report. They are as follows:
  - (a) **Strategic focus and future orientation:** Report should provide an insight on organization's strategy as well as the organization's ability to create value.
  - (b) **Connectivity of information:** It must give a holistic picture of the organization and the interdependence amongst various capitals and how it affects the organization's ability to create value.

- (c) **Stakeholder relationship:** It must report upon the quality of an organization's relationship with its stakeholder and how well the organization understands and takes into account their legitimate needs.
- (d) **Materiality:** Report must disclose all the information which may substantially affect the organization's ability to create value. It should be concise.
- (e) **Reliability and completeness:** the report must include all material matters, accurately which covers both positives as well as negative aspects
- (f) **Consistency and comparability:** the information provided in the integrated report must be presented consistent over the time in a way which enables comparison with other organization as well as its own ability to create value.

#### QUESTION 5:

**Discuss relationship between integrated reporting and sustainability reporting (5 MARKS) (AUG 2021)**

#### ANS:

- (i) A sustainability report is a detailed review of a company's impact on the environment, society, and economy. Its main purpose is to identify where the company can improve and reduce its negative effects in these areas. Originally, sustainability reports focused only on environmental issues, but over time they have expanded to include social and economic factors as well. These reports help companies understand their current practices and set clear goals to improve sustainability. With modern technology and better tools, collecting accurate data has become easier, making the reporting process more efficient and reliable.
- (ii) Integrated reporting goes a step further in communication by showing how a company manages long-term value creation through an integrated approach that considers both traditional risks and broader sustainability-related risks.  
It is a report that discloses the material information about the strategy, governance, performance which provides a clear and concise presentation of how the organization creates value, in short, medium and long term.  
Therefore, an integrated report is not meant to be a summary of the traditional annual report or simply a merger of the financial statements and the sustainability report.
- (iii) While sustainability and integrated reporting have different goals, sustainability reporting is a key part of integrated reporting. It highlights how sustainability issues, risks, and opportunities impact the organization's future and financial performance. It

also helps identify important issues, set goals, and measure progress toward long-term value creation.

**QUESTION 6:**

**Why non-financial reporting is important for companies? (5 MARKS) (AUG 2021)**

**ANS:**

- (i) Non-financial reporting is a clear and organized way of disseminating information about how an organization is performing beyond just financial results. This type of reporting shows that a company's overall success depends on more than just its financial statements it also relies on how well it supports sustainable and inclusive development.
- (ii) In non-financial reports, companies present an overview of their environmental and social impacts from the previous year. This information plays a key role in shaping the company's overall risk-return profile by offering insights beyond financial performance.
- (iii) Non-financial reporting includes:
  1. Board's report
  2. Corporate social responsibility report
  3. Corporate sustainability report
- (iv) In the early stages, corporate performance was primarily evaluated based on market capitalization, share price, and financial ratios like Earnings Per Share (EPS) and Return on Equity (ROE). However, in recent times performance is increasingly assessed through Corporate Social Responsibility (CSR) and Sustainability reporting, both of which are part of non-financial reporting disclosures.
- (v) In the past, corporate performance was mainly measured by market capitalization, share price, and financial ratios such as Earnings Per Share (EPS) and Return on Equity (ROE). Today, however, corporate performance is also evaluated through Corporate Social Responsibility (CSR) and sustainability reporting, which are included in non-financial reporting.