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Some remarks on:

Integrated Reporting – The Future of Corporate Reporting?

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Integrated Reporting – The Future of Corporate Reporting

from the perspective of an EU listed company

1. **Starting point**
2. **Status quo**
3. **Future direction**

Disclaimer: No comments on the EU-development
and on innovation content of Integrated Reporting

Starting Point

- **Quest for decision useful information**
 - Mandatory financial report & corporate governance report
Plus voluntary sustainability report
 - Silo-Reporting (no links within and between different reports)
- **But: Which information should be provided?**
 - Standardsetters, investors, analysts, NGO's and others assert
 - the existence of unsatisfied information needs
 - and a positive cost-benefit ratio for all additional disclosure requirements

Starting Point

- **Pioneers* promote and start with Integrated Reporting**
 - Present links between two or more sustainability dimensions
 - Develop individual tools (e.g. ecological P&L)
- **But: What does Integrated Reporting mean?**
 - Do we have a clear idea of Integrated Reporting (what it should be?)
 - Being in line with all or major IIRC-Framework requirements?
 - A combination of IFRS- and sustainability reporting?

* outside South Africa

Status Quo

- **Global Alliance for Integrated Reporting**
 - Driven by global standard setters (esp. accounting and auditing profession; ecological and sustainability movement)
 - Effort to establish a global standard setter for Integrated Reporting
- **But: Relevance of IIRC?**
 - Think tank
 - to develop a common understanding of Integrated Reporting?
 - to reassess disclosure requirements in financial, corporate governance and sustainability reports?
 - The one and only standard setter for Integrated Reporting?

Status Quo

- **IIRC is facing a chicken and egg problem: Is Integrated Reporting a management or a reporting issue?**
 - Integrated Reporting reflects Integrated Thinking
 - Integrated thinking is based on Integrated Reporting
- **But: Management impact of Integrated Reporting?**
 - How will XYZ think and behave/decide in an Integrated Reporting context?
 - Is there a difference towards the impact of additional sustainability reporting?

XYZ: i.e. managers, investors, other stakeholders

Status Quo

- **Credibility problem of (voluntary) Integrated Reporting**
 - Seriousness, completeness, comparability
 - Reliability, relevance
 - ...
- **But: Is there a solution for the credibility problem?**
 - E.g. an obligation to publish audited integrated reports according to IIRC-Standards – endorsed by the EU and enforced by an German Integrated Reporting Endorsement Panel?
 - Are the IIRC-Framework-requirements
 - auditable, enforceable,
 - the exclusive, adequate version of an integrated report?

Status Quo

- **Diversity in practice, for example**
 - Different impact on the individual system of corporate reports
 - Additional Integrated Report
 - on a stand-alone basis
 - with references or hyperlinks to other reports
 - Integrated report makes sustainability reporting redundant
 - MD&A-Report-based concepts
 - Throughout the whole report
 - Limited to a single (additional) chapter
 - Website, print, PDF document
 - ...
- **But: Need for standardisation - yet?**

Future direction

- **Expectations will come down to earth**
 - management impact of Integrated Reporting
 - audited/assured/certified integrated reports
- **Integrated Reporting will remain voluntary**
 - Maybe: Option to replace a “traditional” management report (z. B. Lagebericht) by an integrated report?
- **IASB, GRI and others won't converge and reduce their disclosure requirements under the roof of the IIRC**

Future direction

- **Let's start with integrated thinking**
 - A question of education
 - Students in business administration, economics, engineering programs etc.
 - Professionals (managers, investors, analysts, auditors etc.)
 - A question of methods and instruments
 - Modelling, measuring, assessing Interconnectivity and value creation processes
 - Decision making in an multi-criteria contest models
 - A non-”business case” restricted understanding of “Value”

Future direction

- **What is needed for a sustainable Integrated Reporting?**
 - Clear definitions
 - addressees and purpose of Integrated Reporting
 - value
 - Reshaping the education system (as aforementioned)
 - Tolerance towards
 - Other think tanks / standard setters than IIRC
 - Diversity in practice (management approach)
 - Not audited/assured/certified reports
 - Not monetised “capital types”
 - ...
 - A work-sharing standard setting process (IIRC, IASB, GRI and others (i.e. EU?))

Thank you for your attention!

Integrated Reporting		
Starting Point	Status Quo	Future Direction

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