

Integrated Reporting Newsletter

Second edition, 2021

*By the
Integrated Reporting Council of Sri Lanka
(IRCSL)*

Foreword by the Chairman of the Integrated Reporting Council of Sri Lanka

Corporate reporting has hitherto evolved progressively responding to market driven requirements, building on the existing foundation of financial reporting, and adding on, non-financial information such as sustainability reporting. This process did not historically address the fundamental shortcomings in the context, content, connectivity, and complexity of corporate reports. In addition, it did not address information asymmetry in the context of the interest of wider stakeholder groups fundamental to the success of the business. Integrated Reporting has endeavoured to bring in a new paradigm of corporate reporting.

IIRC elaborated that Integrated Reporting has been created to enhance accountability, stewardship, and trust as well as to harness the information flow and transparency of business enabled by technology, providing investors with the information they need to make more effective capital allocation decisions.

The IIRC Framework on Integrated Reporting was first issued in 2013 and a few public listed Companies in Sri Lanka voluntarily adopted the framework in the same year. In response to that, CA Sri Lanka launched an award titled “Award for Integrated Reporting” in the said year at CA Sri Lanka Annual Report Awards competition. Progressively, the number of Companies adopting Integrated Reporting has increased over the past years to over fifty in number. The IIRC has now issued the revised Framework on Integrated Reporting which came into effect from January 2021.

IRCSL has issued three publications over the past several years to support preparers, practitioners, and other interest groups. These are;

1. A Preparer’s Guide to Integrated Corporate Reporting
2. A Supplement to a Preparer’s Guide to Integrated Corporate Reporting
3. Handbook on Integrated Corporate Reporting

In furthering its objectives, IRCSL planned to issue this newsletter to engage and update those interested in Integrated Reporting on new developments and thought leadership. This newsletter consist one article in Integrated Reporting which is contributed by the ICAEW Business and Management Faculty titled “*The CFO and Strategy*” and a news item relating to Integrated reporting which depicts the merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) and their formation of the Value Reporting Foundation on 9th June 2021.

I hope this newsletter would be informative. I also encourage those interested in sharing articles to reach out to us.

Asite Talwatte

Chairman

Integrated Reporting Council of Sri Lanka

16th July 2021

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The CFO and Strategy

By Rick Payne, Business and Management Faculty,
the Institute of Chartered Accountants in England and Wales (ICAEW)

If I had a Sri Lankan Rupee for every article, I have read calling on the CFO or finance director to become more strategic, I could finance a very pleasant trip to your beautiful country. The truth is that many CFOs have been playing a leading role in strategy for decades. Rather than add to the calls, ICAEW's ongoing research has focused on learning from current CFOs about how they contribute to strategy and passing that knowledge on to the accounting community. You can access the resources we have put together so far [here](#).

Our work starts by examining the nature of strategy and then identifies eight strategic roles the CFO can play depending on circumstances. While many CFOs do take a leading strategic role, there can be barriers to overcome in getting there. So, we go on to summarise these barriers and provide some suggestions on how to overcome them. The next stages of our research will focus on strategic thinking, strategy formulation and strategy implementation.

The nature of strategy:

One of the surprises when speaking with CFOs was the lack of consensus on what strategy actually is. It is a concept that gets bandied around with the assumption that everyone regards it in the same way. This is not the case. For example, we found that vision, mission, purpose and even budgeting were sometimes lumped together with strategy. This may not be a problem provided there is a clear understanding within the organisation of what needs to be put in place to drive business performance and there is clear communication with employees and stakeholders. However, it probably makes sense to stand back every so often and take stock of whether there is a common understanding of what strategy and related ideas include and exclude. The risk of not doing so is that people will talk across each other in unproductive discussions and employees will not be provided with the sense of direction they need.

Part of the problem relates to the long-standing debate about whether strategy should be planned out in as much detail as possible versus the idea that strategy is more emergent and opportunistic. There is no right answer. But in our report on the [nature of strategy](#), included on our website, we identify the pros and cons in some detail. A lot will rest on industry sector and external circumstances. Infrastructure companies may have to make big bets and plan for the long-term while tech start-ups can take a more agile approach to strategy. The pandemic has meant many companies have had to reduce their strategic planning horizons and adjust strategies quickly in the face of ongoing uncertainty.

The CFOs many strategic roles:

The approach to strategy an organisation adopts will in part drive which of the CFOs [eight strategic roles](#) are most important at any point in time. While the CFOs leadership in role in strategy is always relevant, the orchestrator role of driving the strategic process may be most important when a strategic review is initiated. The role of coming up with creative ideas, which relates to new business models as much as new markets, products and services, may be more important in times of rapid change – yes there will be periods of stability again in the future! It should be noted that all the CFOs and indeed CEOs we spoke to emphasised that strategy is a “team sport”. Therefore, the CFO needs to adapt their own role to fit with the skills and experience of the rest of the executive team.

Overcoming barriers in achieving a strategic role:

The last part of our work to date examines [the barriers](#) to CFOs taking on more of a strategic role. The main barriers are probably organisational resistance and lack of time. To help with the former we emphasise building credibility by understanding the business in depth and suggest maybe running the strategy process to get a seat at the table. To deal with lack of time, CFOs told us that recruiting or developing an effective number two and delegation were essential.

For further, high-quality resources on a wide range of management and business topics consider joining ICAEW’s Business and Management Faculty, which is open to all finance professionals, further details [here](#).

Biography

Rick Payne works for ICAEW’s Business and Management Faculty, where he leads on the role of the CFO, business performance management and finance transformation. He is the author of ICAEW’s [Guide to Business Partnering](#) and co-author of [The finance function: A framework for analysis](#). He is also technical advisor on IFAC’s Professional Accountants in Business Advisory Group. Having qualified as an ICAEW chartered accountant with KPMG he moved into wholesale financial services, undertaking senior roles through to divisional CFO. In addition, Rick is a qualified trainer and executive coach and has an MSc in Organisational Behaviour. He presents regularly to audiences of finance professionals and academics in the UK and internationally.

Merger of the International Integrated Reporting Council (IIRC) and the Sustainability Accounting Standards Board (SASB) to form the Value Reporting Foundation: 09 June 2021

The Value Reporting Foundation supports business and investor decision-making with three key resources: Integrated Thinking Principles, Integrated Reporting Framework and SASB Standards. These tools help businesses and investors develop a shared understanding of enterprise value and how it is created, preserved or eroded over time.

The Value Reporting Foundation is also committed to the delivery of a more coherent corporate reporting system by working closely with the IFRS Foundation and other leading framework providers and standard-setters around the world.

A global organization, the Value Reporting Foundation has staff on four continents and strong networks of business and investor supporters that recognize the benefits of reporting on a more complete range of factors that drive enterprise value.

Overwhelmingly, business leaders agree that understanding multiple sources of value is important to making timely, well informed decisions, with 99% of respondents to an upcoming Value Reporting Foundation, AICPA and Black Sun survey reporting this belief. Across all C-suite executives, the importance of broader information was undisputed, and more business leaders than ever before felt that it is important to consider broader information alongside financial information.

The Value Reporting Foundation is committed to enabling organizations to move from buy-in to action. By more closely aligning the Integrated Reporting Framework and the SASB Standards, the Value Reporting Foundation will make it easier for businesses to communicate their long-term strategy and provide a more comprehensive view of business performance to investors and other providers of capital.

Business leaders from Australia, Brazil, Canada, Germany, France, India, Italy, Indonesia, Japan, South Korea, the UK and the US have welcomed the Value Reporting Foundation as a means to enabling robust long-term thinking and more holistic corporate reporting.

Graeme Pitkethly, CFO, Unilever gave his support, saying: “Unilever advocates for a multi-stakeholder business model. Integrated reporting is a key enabler ensuring business risks are clearly understood, and that there is comparable reporting. We hope this merger will be a catalyst for the harmonization of sustainability standards and metrics.”

A full list of the statements from business leaders are published on the Value Reporting Foundation's can be found [here](#).

Janine Guillot, CEO, Value Reporting Foundation said: "We have listened to the strong demand from businesses and investors for a simplified corporate reporting landscape. By combining the tools, resources and relationships of SASB and IIRC, the Value Reporting Foundation will continue to advance progress towards a more coherent landscape and continue to support the important efforts of the IFRS Foundation. The end result will be comparable, consistent and reliable information that enables more holistic decision making by businesses and investors."

Charles Tilley, CEO of the IIRC until the completion of the merger and now Board Director and Senior Advisor to the Value Reporting Foundation said: "Both the IIRC and SASB are celebrating their 10-year anniversaries. Over those 10 years we both built solid support, changing the way countless businesses and investors think about how value is created, preserved or eroded over time. Together, as the Value Reporting Foundation we can go further and faster, working with our partners towards a globally agreed system that supports much needed sustainable development around the world."

Michael Bloomberg, Chair Emeritus, Value Reporting Foundation said: "We're seeing a lot of great progress on sustainability disclosure and integrated reporting, especially when it comes to the risks and opportunities around climate change. This merger is another important step forward towards a stronger, more resilient economy – and a brighter, safer future."

Prof. Judge. Mervyn E. King, Chair Emeritus, Value Reporting Foundation said: "We are virtually at the door of having a globally accepted comprehensive corporate reporting system. I am excited and confident that the endeavours of the Value Reporting Foundation will take us closer to the opening of that door to what I call the end game."

Ilmi Granoff, Program Director, Sustainable Finance, ClimateWorks Foundation said: "We are proud to represent a coalition of funders supporting this work—The Value Reporting Foundation will accelerate progress towards a global, standardized, comparable and comprehensive corporate reporting system. It will enable businesses to take climate and human capital better into account, improving environmental, economic and social outcomes."

About the Value Reporting Foundation:

The Value Reporting Foundation is a global nonprofit organization that offers a comprehensive suite of resources designed to help businesses and investors develop a shared understanding of enterprise value—how it is created, preserved or eroded over time. The resources — including Integrated Thinking Principles, the Integrated Reporting Framework and SASB Standards — can be used alone or in combination, depending on business needs. These tools, already adopted in over 70 countries, comprise the 21st century market infrastructure needed to develop, manage and communicate strategy that creates long-term value and drives improved performance.



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