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Non-financial and integrated reporting

Real value, real cost, real profit

"We offer clients support throughout the entire life cycle of the reporting process, from defining the basic assumptions to the graphics and external communications."

What is a non-financial report?

Reporting on sustainability and corporate social responsibility (CSR) means the disclosure of non-financial data. These may include, among others, customer relationships, product liability, ethics and anti-corruption, employees, the environment, dialogue with stakeholders and social engagement.

According to the guidelines of the Global Reporting Initiative (GRI), the most internationally recognized non-financial reporting guidelines, the report should present management's links between CSR activities and business strategy, achieved results, and plans for the next reporting cycle. ➤

Benefits

79%

of global leaders in non-financial reporting confirmed that the reporting of nonfinancial data in conjunction with the financial data improves decision-making processes.

80%

of respondents confirmed that the reporting process which integrates nonfinancial and financial data contributes to the business success of the organization.

84%

of respondents have seen an improvement in the quality of reported data over the years.

Source: Ocean Tomo; Components of S&P 500 Market Value, 2015, "Realising the benefits. The impact of integrated reporting", Black Sun, 2014.

Did you know?

Practical tips

The new regulation will apply to large public interest entities or groups of companies whose parent company is a unit of public interest, with an average annual employment of over 500 people, and with one of the two financial criteria: either a balance sheet total of over 20 million EUR or net revenues of over 40 million EUR.

The 2017 report must be in accordance with the guidelines of the new Directive.

It is a valuable experience to try nonfinancial reporting as soon as 2016 in order to implement the data collection process, assess any gaps, and to have enough time to implement good practices in relevant areas of CSR which can be presented in a report issued in 2018. Non-financial data should be included in a separate section of the report on the activities of the company (statement on non-financial information) or may be presented in a separate

report: GRI report, integrated report, impact report, etc.

Preparation of the first non-financial report takes about 4-5 months.

The average non-financial reporting process in accordance with the guidelines of the GRI involves about 20 people in the organization. On average, approx. 60-80 indicators are collected.



How to start?



Dialogue and determining the scope



Data collection



Content creation



Verification



Graphics and visualizations



Communication

up to 6 weeks

3 weeks

5 weeks

2 weeks

up to 6 weeks

Based on needs

Why report non-financial information?

"A natural step in the development of the organization" – a summary and organization of activities that often have been implemented for years.

"If you do not have goals and you do not measure their implementation, you cannot manage them" – getting a full management picture, monitoring performance, strengthening the accuracy of business decisions.

"Bet on transparency" strengthening the reputation and trust from customers and other key stakeholders.

"The way leaders do it" – strengthening the market position, reaping the benefits of branding.

"Regulatory requirement" – according to the EU Directive 2014/95/EU starting from 1 January 2017, the new requirements will cover at least 6000 companies within the European Union.

Sources: Directive 2014/95/EU of the European Parliament and of the Council / Global Reporting Initiative.

What is an integrated report?

According to IIRC*, integrated reporting is a process:

- That relies on integration of the sustainability issues which are crucial from the perspective of the organization and the specifics of the industry into the organization's business strategy.
- That produces a periodical integrated report showing – against the backdrop of the external environment – how the organization's strategy, corporate governance and performance help create values in the short, medium and long term.

* International Integrated Reporting Council (IIRC), A coalition of public and private sector representatives for the development of reporting methodology Non-financial 21st century. Source: "Consultation Draft of the international <IR> framework", International Integrated Reporting Council, April 2013.

IIRC has introduced a categorization of capitals which should be adapted by organizations that develop integrated business model and integrated thinking.

1. Financial capital.
2. Manufactured capital.
3. Intellectual capital.
4. Human capital.
5. Social and relationship capital.
6. Natural capital.

Trend:
Simplification and standardization of the organization's reporting processes under a common umbrella.



The road to an integrated report

Rate your readiness. Think of how to prepare. Inspire yourself!

Do you realize what benefits can be drawn from integrated reporting? Are you aware of the risks involved if you fail to address this issue now?

Can you assess the extent to which your organization is ready for integrated reporting?

Can you ensure the management board's buy-in for the change of the reporting methods?

Do you know and understand the requirements laid down in IIRC integrated reporting guidelines?

If you have already disclosed non-financial data as an addition to the annual report or as a separate CSR report, also based on the Global Reporting Initiative (GRI)

methodology, do you understand how it differs from integrated reporting? Have you put together a team for the needs of integrated reporting? Does the reporting team include the representatives of key sustainability areas? Does the CSR reporting team include the representatives of the finance, strategy, controlling, investor relations and production lines? Do you know whom you need to invite to cooperate and how to go about it?

Make the first move, plan further actions!

Can you assess which sustainability and CSR issues are crucial for your organization?

Do you have a risk management system, with social and environmental risks embedded, in place?

Can you incorporate sustainability into the business strategy of your organization? Can you measure your impact and report how your organization creates value taking account of, inter alia, the social and environmental capitals?

Do you know who your stakeholders are? Can you engage in a dialogue with them to define their expectations linked with the strategy and report?

Have you formulated the KPIs for non-financial areas? Do you have a system for gathering non-financial data which is adequate to meet the integral reporting requirements?

Are you aware what new processes need to be implemented now in your organization to be able to produce integrated reports in the future?