

INTEGRATED Reporting

A guide to create high
quality disclosures



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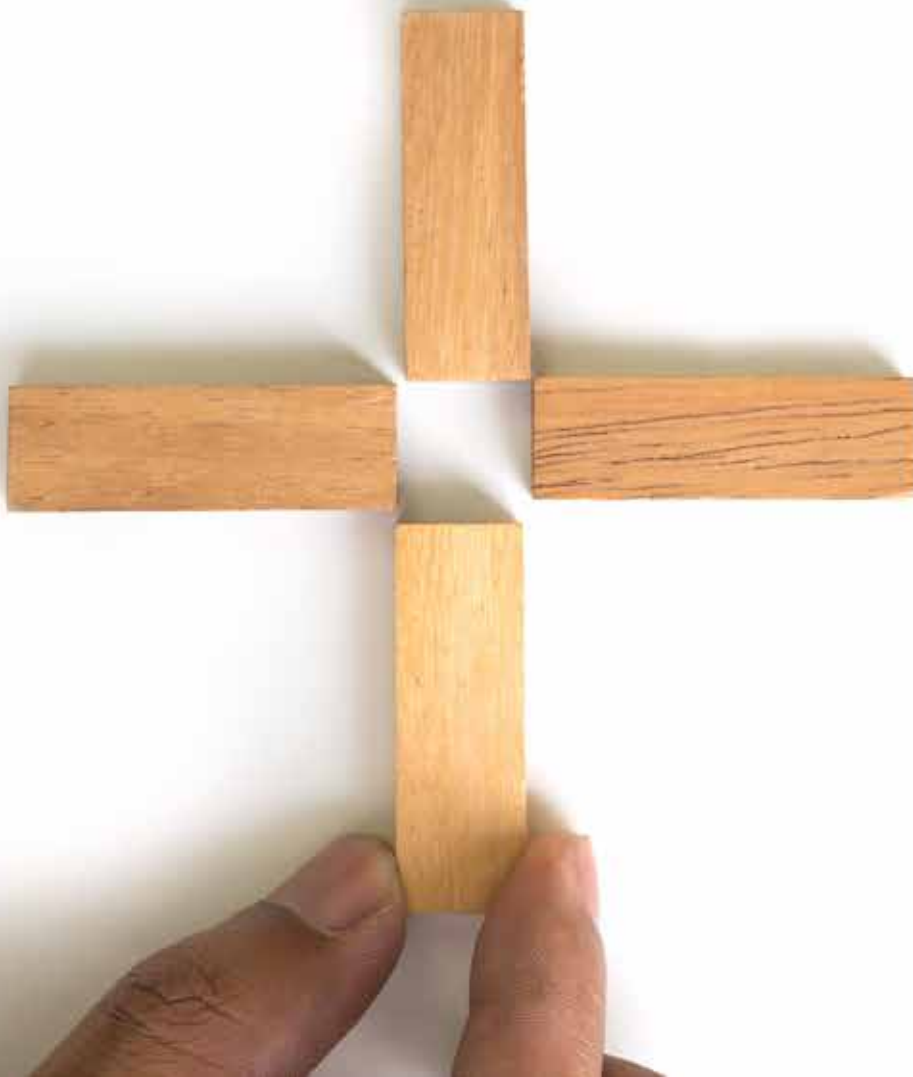
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Foreword

Over the last decade, many businesses and investors realised that conventional reporting is too complex, lacks relevance and was not enabling them to communicate with each other sufficiently. This led to the launch of the Integrated Reporting Framework – which enables more holistic, reflective and forward looking disclosures, thereby more useful to investors.

Integrated Reporting is a vehicle for long-term value creation for and by the business itself. It helps companies to think, plan and report the story of their business.

In 2017, the Indian security regulator SEBI asked the top-500 listed companies in India to adopt the Integrated Reporting Framework to produce an integrated report. Since then, 13 Tata companies have extensively adopted the Integrated Reporting Framework for disclosures. Our interaction with these Tata companies made it clear that there is a need to build capability within the Tata group around the Integrated Reporting Framework and principles for producing high quality and user-friendly disclosures.

Tata Sustainability Group (TSG) has developed this guidance as a part of its endeavour to create capacity and capability on Integrated Reporting and thinking within the group.

Siddharth Sharma,
Group Chief Sustainability Officer, Tata Sons



Purpose of this guidance

- The purpose of this guidance is to translate International <IR> Framework into a language understandable by all Tata companies – big or small – with the aim to prepare a high quality Integrated Report which meets relevant information needs of all stakeholders, especially institutional investors.
- In consideration of the principles-based nature of the IR Framework, this guidance is more of:
 - a methodological orientation tool in terms of internal structures, planning, processes required while preparing an Integrated Report.
 - a compendium of leading practices* and a good quality response around the key content elements of the framework
- The guidance can also be adopted as an internal training module for developing deeper understanding of Integrated Reporting and thinking.
- It is assumed that the user of this guidance has read the IR Framework that can be accessed from the IIRC website www.integratedreporting.org

* Leading practice examples provided by the IIRC and Black Sun.



Overview of **INTEGRATED REPORTING**



What is **INTEGRATED REPORTING** <IR>?



- Integrated Reporting is an approach that helps businesses think holistically about their strategy and plans, make informed decisions, manage key opportunities and risks to build investors' and stakeholders' confidence, and help manage the organisation's performance.



- It is a comprehensive way to report on an organisation's performance that takes into account not just the traditionally reported financial performance and compliance issues, but also looks at an **organisation's strategy, overall governance, performance and commercial outlook – the full range of factors that materially affect the ability of an organisation to create value** in the short, medium and long-term.



- The goal is **not to provide more information, but better information**. It is the information that investors are increasingly looking for – not numerous, disconnected and static reports.

What is **INTEGRATED REPORTING** <IR> Framework?

The purpose of the framework is to establish Guiding Principles and Content Elements that govern the overall content of an Integrated Report and explain fundamental concepts that underpin them.



GUIDING PRINCIPLES

The guiding principles are a guide as to what information should be considered for the report. The IR Framework provides only guiding principles and not a specific reporting template.



CONTENT ELEMENTS

It specifies content elements that should be covered in the report, including the value creation story of the organisation by focussing on six capitals.



THE SEVEN guiding principles of IR Framework



Strategic focus & future orientation

- Provide insight into an **organisation's strategy**, and how it relates to the organisation's ability to **create value in short, medium & long-term**, and to its use of and effects on capitals



Connectivity of information

- Provide a **holistic picture** of the combination, interrelatedness & dependencies between factors that affect the organisation's ability to create value over time



Stakeholder relationships

- Disclose nature and quality of **relationships with key stakeholders**, including how and to what extent it understands, takes into account and responds to their legitimate needs and interests



Materiality

- Disclose information about **issues that substantively affect the organisation's ability to create value** over the short, medium and long-term



Conciseness

- Be **concise**



Reliability and completeness

- Include all material matters, **both positive and negative, in a balanced way** and without material error



Consistency and comparability

- Present information: (a) on a basis that is **consistent over time**; (b) in a way that **enables comparison** with other organisations to the extent it is material to the organisation's own ability to create value

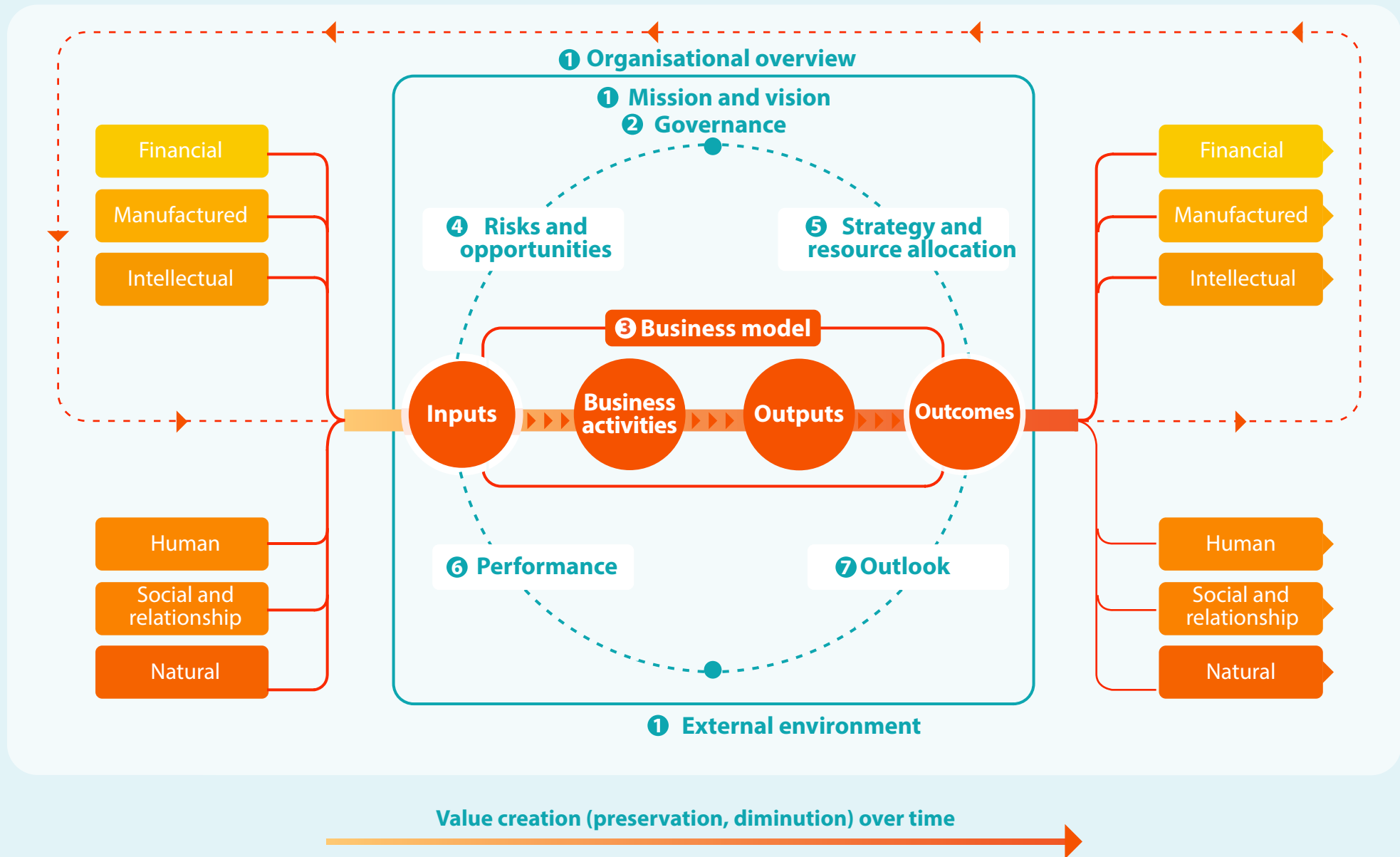
THE EIGHT Content Elements of IR Framework

An Integrated Report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive.



Together, the Content Elements tell the value creation story of the organisation through impact on six capitals.

Content Elements & the Value creation process



THE SIX capitals described in the IIRC framework



FINANCIAL CAPITAL

- The traditional yardstick of performance, this capital includes funds obtained through financing or generated by means of productivity.



HUMAN CAPITAL

- The skills and know-how of an organisation's personnel, in addition to their commitment and motivation – which affect their ability to fulfill their roles.



INTELLECTUAL CAPITAL

- This accounts for the intangibles associated with brand and reputation, in addition to patents, copyrights, organisational systems and related procedures.



MANUFACTURED CAPITAL

- The manufactured physical assets available for use by the organisation such as buildings, equipment, etc.



SOCIAL CAPITAL

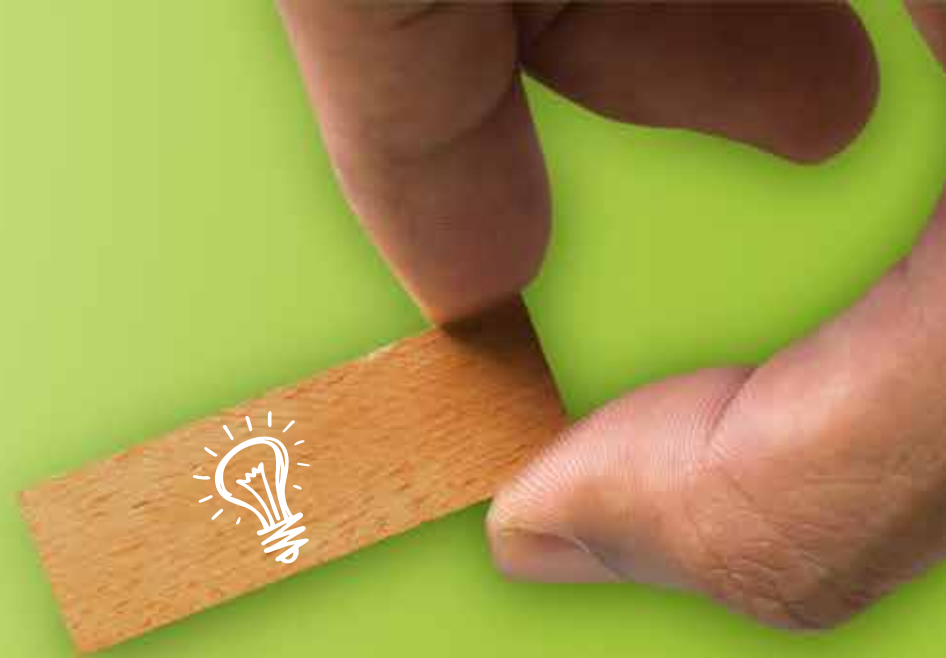
- This encompasses the relationships – and attendant resources – between an organisation and all its stakeholders, including communities, governments, suppliers and customers.



NATURAL CAPITAL

- This includes environmental resources such as air, water, fossil fuels, land, biodiversity and ecosystem services, which are essential to the functioning of the economy as a whole.

LEADING PRACTICES



Leading Practices: Planning and Preparation Process



Leadership buy-in and their participation

- * The board and management need to be actively engaged at the start and throughout the IR process in order to provide important and effective oversight, from identifying the material matters to report, to the preparation process and approving the final report.
- * The governing body may designate a senior executive responsible for the preparation of the report.



Setting up of a cross-functional project team

- * Setting up a cross-functional team that represents main business functions and is familiar with a company's business model and strategies. The team should undergo relevant training to develop a common understanding around integrated thinking.



Firming up the reporting approach

- * Defining report's objectives and scope. Who is the audience? What are the goals for the report? What is the desired takeaway? What content and structure will best meet the objectives?



Material matters

- * Ensuring that the report discusses matters that substantially affect the organisation's ability to create value. The materiality determination process, therefore, needs to be rigorous and stand up to scrutiny.
- * Developing a storyline that aligns vision, strategy and value creation in a frank and balanced way: IR requires a holistic view of the company, its strategy and business model, its drivers of value-creation and impacts, as well as its stakeholders and their expectations. It is advisable to balance historical information and future outlook, positive and negative information of performance and their comparison with peers.

Leading Practices: Planning and Preparation Process



Conducting fact checks and obtaining assurance

- * Reliable information is important for the integrity and credibility of the report.
- * Getting internal or external assurance increases confidence in the quality of your report and makes it a more reliable source for decision-making by stakeholders.



Publishing in print and digital formats

- * Ensuring that the report is simultaneously available in all formats is a best practice. It is a good idea to post detailed reports, supplementary reports, fact sheets, statistical data on company's website as well, ideally following the same governance process as Integrated Report.



Conducting stakeholder outreach

- * Meeting with investors, non-governmental organisations and others to discuss your company's performance in a comprehensive fashion can be a powerful tool to address questions or concerns. Your stakeholders can give you valuable feedback about what they found most effective in your report and where they would like to see additional information or changes that incorporate the following year.



Embracing IR as a journey

- * Integrated Reporting is a journey. It is unlikely that the organisation will meet all objectives in its first year of reporting. However, reporting will improve as the organisation remains committed to the journey.

Content Elements – Leading Practices

The IR Framework lists eight Content Elements that connect to each other in the organisation's value creation story. These Content Elements offer a useful report structure by covering various information areas in the organisations' value creation story. This section provides examples of high quality response around each Content Element.





Organisational overview and external environment

An Integrated Report should include the organisation's overview and the external environment in which it operates and the risks and opportunities the environment provides.

Questions to consider:

- What does the organisation do? What is its position within the value chain?
- What are the organisation's mission and vision? What are its culture, ethics and values?
- What is its competitive landscape and market positioning?
- What is the organisation's environment?
 - The macroeconomic situation
 - The availability of natural resources
 - The availability of social capital
 - Market circumstances
 - The competitive landscape
 - Technology
 - Supply chain
 - Labour conditions
 - The regulatory environment
- What are the significant factors affecting the external environment and the organisation's response?





Organisational overview and external environment

Good Practice Commentary

This section introduces the company by showing a general overview of the organisation and of the context in which it operates. It will be appropriate to provide following information in this section:

About the organisation:

- Strategic Direction: Mission, vision, culture and values
- Ownership and operating structure
- Strategies and goals
- Activities, markets, main products and services
- Primary quantitative information (e.g. number of employees, revenues, number of states in which the organisation operates), pointing to any changes occurred over time

External environment:

- Legal, commercial, social, environmental and political context affecting the organisation to create value in short, medium and long-term
- Needs and expectations of key stakeholders
- Market competitive context
- Rapidity and effectiveness of technological changes

Leading Example

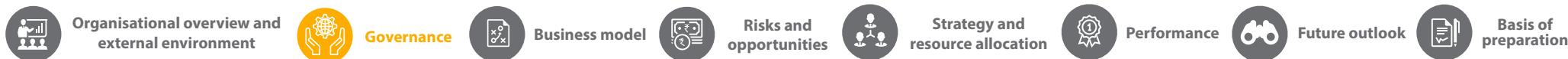
Roseneft – an integrated energy company

Key observations:

Starting with the section, 'Macro economic situation in 2017' together with the section 'Global Oil and Gas Market', the discussion provides readers with a good understanding of what external factors are affecting the company. An aspect of this Content Element which is not often addressed is that of the company's market position, which is put into context in the section 'competitive analysis' providing an overview of how the business compares within its peer group.

More here - <http://examples.integratedreporting.org/fragment/937>



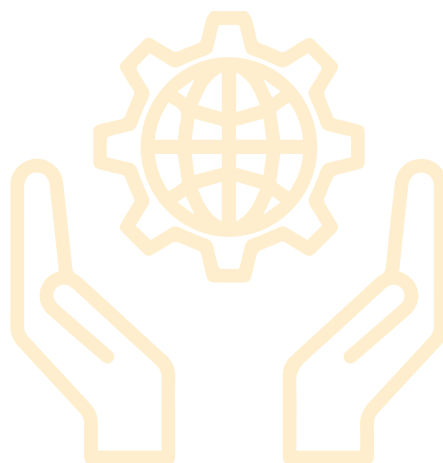


Governance

An Integrated Report should discuss the structure of the governance structure and processes of the organisation.

Questions to consider:

- What is the organisation's governance structure and how does it support the organisation's ability to create value in the short, medium and long-term?
- What is the organisation's leadership structure, including the skills and diversity (e.g., range of backgrounds, gender, competence and experience) of those charged with governance?
- Specific processes used to make strategic decisions and to establish and monitor the culture of the organisation, including its attitude to risk and mechanisms for addressing integrity and ethics
- How the organisation's culture, ethics and values are reflected in its use of and effects on the capital, including its relationships with key stakeholders?
- Whether the organisation is implementing governance practices that exceed legal requirements?
- How remuneration and incentives are linked to value creation in the short, medium and long-term, including how they are linked to the organisation's use of and effects on the capital?





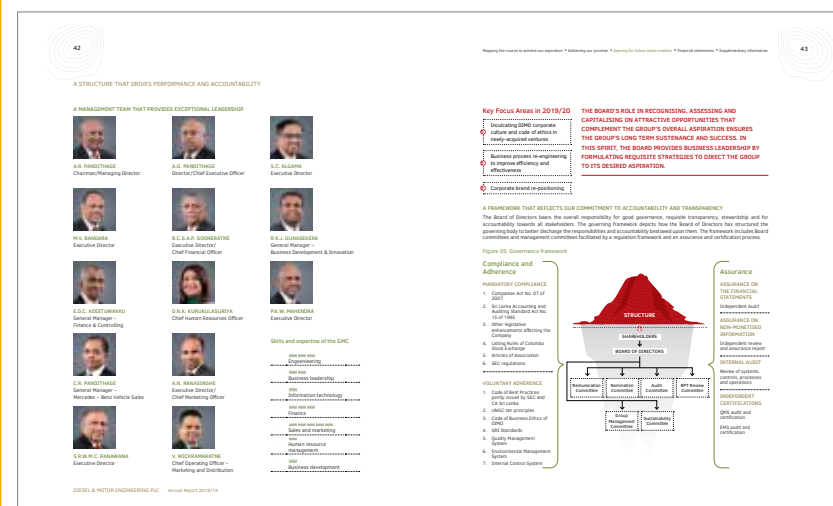
Good Practice Commentary

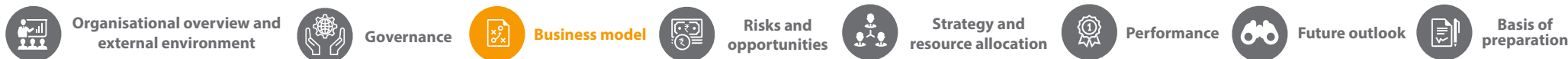
- Leadership structure, organigram and key figures of management and control
- Processes through which the management elaborates its strategic decisions
- Organisational culture
- Specific measures adopted by the management to monitor the organisational strategy and its approach to risk
- Systems by which culture, ethics and values of the organisation reflect on the use of the many types of capitals, including relationships with key stakeholders
- Whether and how the company implements best practices exceeding legal requirements
- Initiatives undertaken by the governing team to promote and enable innovation
- Links between remuneration and incentives and value creation in the short, medium and long-term
- Some KPIs to consider: Median age, Diversity, No. of Meetings, Performance & Incentives, etc.

Leading Example

Key observations:

More here - <http://examples.integratedreporting.org/fragment/997>





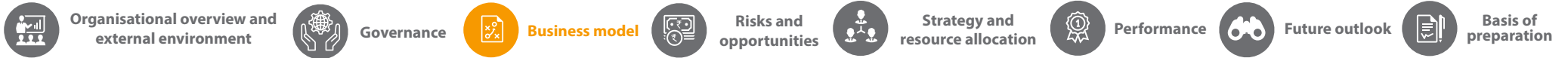
Business model

An Integrated Report should include the business model. It defines the essence of the organisation and maps out the processes by which sustainable value is created.

Questions to consider:

- What is the organisation's business model and to what extent is it a resilient one?
- What are the inputs, i.e., the resources or capitals on which the organisation depends? They can be internal or external (e.g., funding model, infrastructure reliance, people, intellectual property, raw materials consumed, relationships or dependence on natural capital).
- What are the value-adding activities?
- What are the outputs? The products and services produced by the organisation.
- What are the outcomes? Performance in terms of increasing or decreasing the value of the capitals as a result of product or service production. These outcomes may be internal or external (e.g., revenue and cash flow, customer satisfaction, tax payments, brand loyalty and social and environmental impacts).





Business model

Good Practice Commentary

This section describes a business model adopted particularly on:

- Inputs on which the business depends and their relationship to other forms of capital
- Business activities, considering factors such as: the way organisation differentiates itself in the market, the way the organisation continues to evolve and innovate, flexible elements that allow business to adapt to changes
- Outputs, illustrating products and services as well as by-products and waste
- Outcomes, that represent key results for capital, including both internal and external
- Features that may increase effectiveness and readability of the business model such as: explicit identification of the key elements of the business model by a simple diagram, a descriptive logic flow that highlights specific aspects of the organisation, the identification of stakeholders and other essential critical success factors, the position of the organisation in the value chain and connection to available information in other relevant content elements
- It is useful to review whether components of material KPIs are covered in the business model

Leading Example

DBS – Financial services

Key observations:

The business model diagram identifies the capital that the business draws upon and provides an explanation of how the business uses each capital to execute its strategy and create value. For each capital, key indicators to measure performance are provided. The outputs are cross-referenced, where DBS briefly explains the value provided to each of its key stakeholder groups, with page references to more detailed explanation.

More here - <http://examples.integratedreporting.org/fragment/1003>



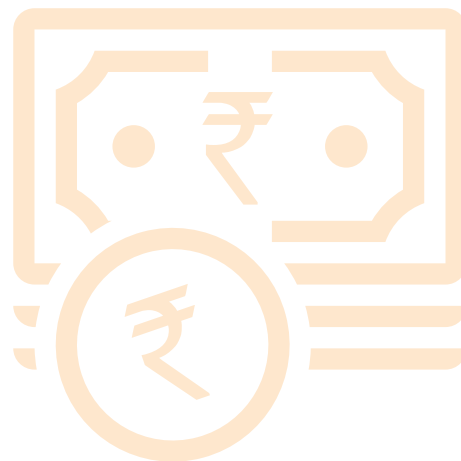


Risks and opportunities

An Integrated Report should discuss the key opportunities and risks that the organisation faces; how they affect the organisation's ability to create value in the short, medium and long-term; and how is the organisation tackling them?

Questions to consider:

- What is the Enterprise Risk Management process of the organisation?
- How are the key risks linked to the Materiality principle?





Risks and opportunities

Good Practice Commentary

This section should talk about main risks and opportunities to the organisation, including those related to availability of financial and non-financial resources, market, sustainability of the business model, reputation, technological, environmental, social, legal, etc. A good response should include:

- Process to identify risks and opportunities or material issues
- Origin and nature of opportunities and risks that can be internal or external or combination of both elements (through periodic SWOT analysis)
- Process to assess the probability that the opportunity or the risk will arise and its effects
- Specific action plans to create value from key opportunities and/or to manage risks over short, medium and long-term along with related performance measures and implementation plans including risk owners, capital impacted, risk mitigation plans, etc.
- Some illustrative KPIs are Reputational risks, Price Volatility, Customer Solvency Index, Raw Material availability, Inadequate IP protection, Product obsolescence, Cyber liability risk, Business continuity failure, New market opportunities, etc.

Leading Example

Truworths – Consumer goods

Key observations:

The report talks about the process of identifying material issues and presents the seven material issues and provides a consistent, accessible and understandable explanation of each. For each material topic the company demonstrates strong connectivity by disclosing the strategic priorities, key risks, challenges and future objectives.

More here - <http://examples.integratedreporting.org/fragment/983>

Truworths Integrated Report 2017 / 18

MATERIAL ISSUES, RISKS AND OPPORTUNITIES continued

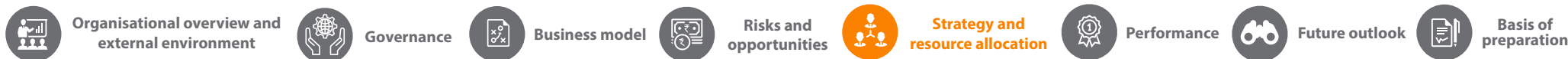
		MAJOR RISKS					OFFICE				
		TRUWORTHS					OFFICE				
		Insightful	Minor	Moderate	Major	Catastrophic	Insightful	Minor	Moderate	Major	Catastrophic
LIFE IMPACT	Reputational										
	Legal										
	Financial										
	Operational										
LIFE IMPACT	Reputational										
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	Operational										
LIFE IMPACT	Reputational										
	Legal										
	Financial										
	Operational										

TRUWORTHS

- Fluctuation of the Rand and impact on retail selling prices
- ESSE certification
- Availability of skilled IT human resources for support projects and business intelligence
- Loss of key executives and senior employees
- Increasing competition from international retailers entering South Africa
- Loss of head office building
- Availability of key IT systems that enable daily work
- Loss of distribution facilities and inability to access the distribution network as a direct result of action

OFFICE

- Impact of affordability assessment requirements on operations and productivity
- IT system capability and capacity to support current operations and future growth
- Management of distribution and buying decisions
- Business continuity plans

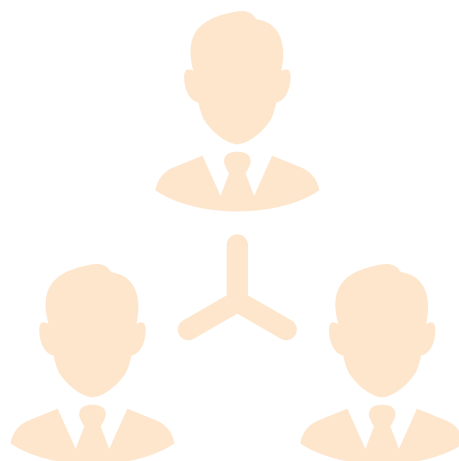


Strategy and resource allocation

An Integrated Report should discuss the strategic objectives that the organisation is trying to achieve – Where does the organisation want to go and how does it intend to get there?

Questions to consider:

- How does the organisation define value creation? What are the organisation's short, medium and long-term strategic objectives?
- What strategies it has in place, or intends to implement, to achieve those strategic objectives?
- The resource allocation plans it has to implement its strategy.
- How it will measure achievements and target outcomes for the short, medium and long-term?
- How does the strategy relate to the business model and take into account the external environment and the risks and opportunities identified?



Strategy and resource allocation

Good Practice Commentary

This section talks about the organisation's approach to preparing for the future. It is therefore advisable to identify:

- Strategic purpose and objectives of the organisation in short and medium/long-term
- Strategy to achieve these business objectives
- Plan for the allocation of resources and necessary knowledge required to implement the strategy
- Process to measure targets and expected results in the short and long-term
- Factors that give the organisation a competitive advantage and let it create value in the future e.g.
 - The role of innovation
 - How the organisation develops and uses intellectual capital
 - How environmental, social and governance elements are included in the organisation's strategy
- Key measures or indicators of strategy could be business objectives and goals which are taken and performance indicators set around action plans
- In a nutshell, once the strategy and purposes are defined, it is necessary to represent how to reach them, referring to mode and resources. A good representation of strategy development and implementation plan is through Balanced Scorecard.

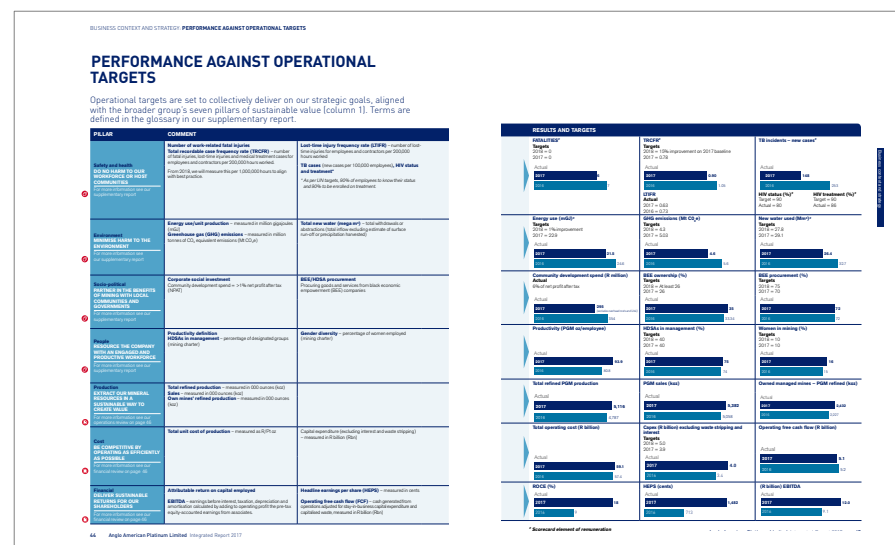
Leading Example

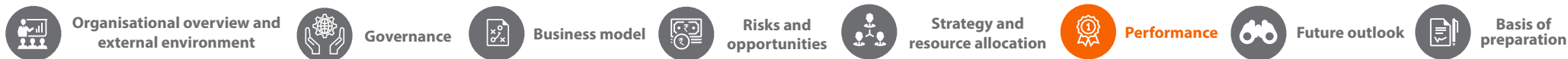
Anglo Platinum: Basic Materials

Key observations:

The report provides an overview of the commercial, social and environmental context in which the company operates and includes a focus on strategy and future prospects under the headings of 'repositioning the portfolio for a sustainable future' and 'outlook' (covering financial, market and operational outlook context). This is followed by a section which provides a view of how the company has performed against targets set against their key pillars of strategy.

More here - <http://examples.integratedreporting.org/fragment/889>





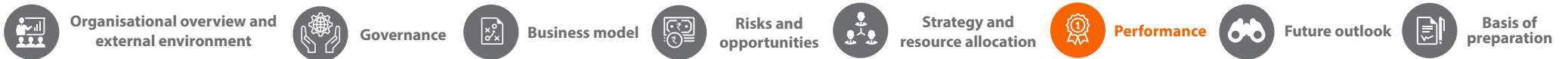
Performance

An Integrated Report should discuss the performance of the organisation against its strategic objectives.

Questions to consider:

- What indicators are meaningful in terms of measuring the extent to which the organisation achieves its stated value creation goals?
- How has the organisation performed against its strategy and what are the key outcomes in terms of the capital?
- The linkages between past and current performance, and between current performance and the organisation's outlook.





Performance

Good Practice Commentary

This section contains information which is essential to enable a critical assessment – internally by the management and externally by stakeholders – of the extent to which the organisation is achieving its strategic objectives. The report should cover all the core or strategic KPIs, especially those that:

- substantially affect strategy
- measure management's progress/success on strategic objectives and
- link to management remuneration
- Additional KPIs can be included which are useful to understand the organisation's ability to create value
- The <IR> Framework lists the characteristics of suitable quantitative indicators such as: relevant to the circumstances of the organisation, consistently used for internal review, connected to business objectives, focussed on material matters of the business, presented with corresponding targets, projections for two or more future periods, presented for multiple periods to provide an appreciation of trends, consistent with industry or regional benchmarks for comparison, reported consistently over successive periods regardless of favourable or unfavourable and presented with context to make them meaningful.

Leading Example

Barclays: Financial Services

Key observations:

Barclays Africa's 2017 Integrated Report effectively demonstrates the connectivity principles in the performance section of its report. Each aspect of the 'Performance Reviews' section summarizes 'Key matters raised by stakeholders', then connects these interests and needs to the company's material matters which, in turn, are linked to value creation for the organisation and for others.

More here - <http://examples.integratedreporting.org/fragment/886>



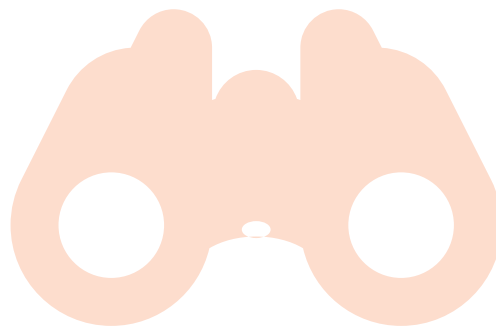


Future outlook

An Integrated Report should discuss the challenges and uncertainties the organisation is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and its future performance and outcomes.

Questions to consider:

- What are the changes the organisation anticipates over time?
- How that will affect the organisation? How is the organisation equipping itself to respond to the critical challenges and uncertainties that are likely to arise?





Future outlook

Good Practice Commentary

This section asks for information on how an organisation is preparing for the future. Hence, it is advisable to include:

- Long-term outlook and the assumptions and perspectives that has gone into identifying future strategic priorities
- Basic indicators, KPIs related to targets, projections, relevant information coming from external environment and the sensitivity analysis
- Representation of possible implications, such as ones related to future financial performance about:
 - The external environment, opportunities and risks, by analysing how these factors may affect the achievement of strategic targets
- Availability, quality and accessibility of capital used by an organisation or affected by it, illustrating the management of key relationships and the reasons for which they are important for value creation in time

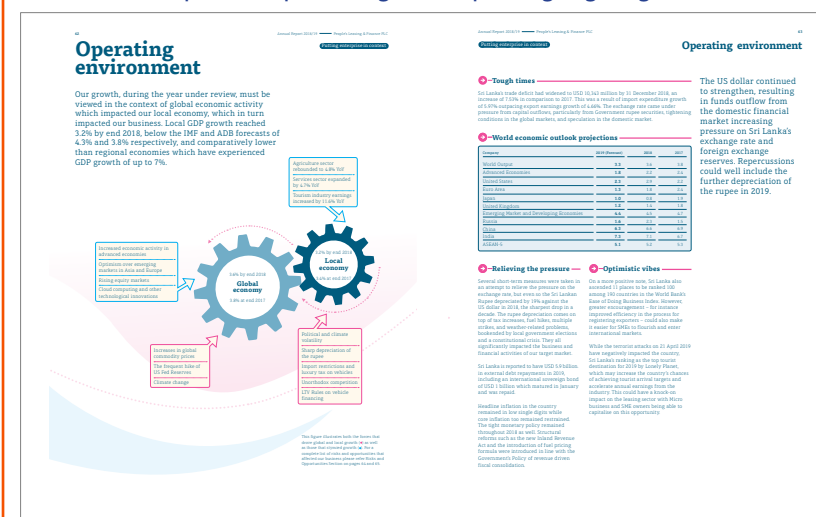
Leading Example

Peoples Leasing and Finance: Financial Services

Key observations:

The report outlines the economic, political and market factors affecting the company's performance for the reporting year. It then gives an overview of how external environment factors might affect the business going forward, describing the potential positive impact of Sri Lanka's performance on ease of business and tourism rankings on its leasing business. The next section then features tourism-related external factors outlined in the operating environment as risks and/or opportunities, thus also demonstrating connectivity of information.

More here - <http://examples.integratedreporting.org/fragment/1006>





Basis of preparation

An Integrated Report should discuss how the organisation determines what matters to include in the report and how are such matters quantified or evaluated?

Questions to consider:

- How did the organisation determine its materiality?
- What is the reporting boundary and how was it determined?





Organisational overview and external environment



Governance



Business model



Risks and opportunities



Strategy and resource allocation



Performance



Future outlook



Basis of preparation

Basis of preparation

Good Practice Commentary

This section should include:

- The scope and boundary of reporting
- Key aspects of the organisation's value creation process (a fundamental concept of Integrated thinking and Reporting)
- Approach to materiality and how the six capitals are influenced by the organisation
- Forward looking statements
- Responsibility of the board

Leading Example

Eskom: Utility

Key observations:

The report provides its approach to materiality. The 'About this report' section provides insight into the reporting boundary and frameworks used, as well as the board's responsibility statement and the supporting assurance approach to the information contained in the report. The 'material stakeholder matters' provides detail on the process followed, together with how each material matter and their impact on value creation and timeframe of impact.

More here - <http://examples.integratedreporting.org/fragment/985>

About this report

Board responsibility and approval
The Board is responsible for the integrity and completeness of the integrated report and any supplementary information, and is assisted by the Audit and Risk Committee and the Social, Ethics and Sustainability Committee. The Board has signed its collective intent to the preparation and presentation of the integrated report and has concluded that it is presented in accordance with the International <IR> framework, is consistent with the principles of the materiality framework and with the reliability of information presented, based on the combined assurance process followed. The Board approved the 2017 integrated report, annual financial statements and supplementary information on 13 June 2017.

Reporting boundary and frameworks
The integrated report covers our operational, environmental, social and financial performance for the year from 1 April 2016 to 31 March 2017, and follows our 2016 integrated report. Material events up to the date of approval have been included. For comprehensive overview of our financial performance, the integrated report should be read in conjunction with our full set of group annual financial statements.

Assurance approach
Our combined assurance model relies on three lines of defence. The Audit and Risk Committee and Board rely on combined assurance in forming their view of the adequacy of our risk management and internal controls. Our strategy risks are discussed on page 29. The integrated assurance model relies on three lines of defence. The Audit and Risk Committee and Board rely on combined assurance in forming their view of the adequacy of our risk management and internal controls. Our strategy risks are discussed on page 29. The integrated assurance model relies on three lines of defence. The Audit and Risk Committee and Board rely on combined assurance in forming their view of the adequacy of our risk management and internal controls. Our strategy risks are discussed on page 29.

Basis of preparation
Our integrated report is based on the principles contained in the International Integrated Reporting Framework (the International <IR> Framework) published by the International Integrated Reporting Council (IIRC). The report seeks to provide balanced and transparent assessment of how we create value, considering both qualitative and quantitative matters that are material to our operations and strategic objectives, which may influence our stakeholders' decision-making. The determination of material matters is set out on page 37. Although this is our primary report to stakeholders, used as a provider of financial report, it provides information of interest to all stakeholders. We are

Material stakeholder matters
Material matters are those that are both of importance to stakeholders and could have a substantial impact on our business, with the potential to significantly affect the achievement of our strategic objectives and consequently our ability to create value. Materiality determination process The first step in the materiality determination process is to identify relevant matters based on their ability to affect our value creation process. We perform the process annually. Our starting point is those matters reported in the prior year which we then update based on a review of changes during the current year. As part of that review, we consider topics discussed at Board level, the outcome of the risk management process, as well as issues raised through various stakeholder platforms – media and investors, key customers, customer surveys, matters raised in Parliament and by the media, and more generally via the Stakeholder Matters Department. The process is overseen by the Board and ratified by the Board. Current year material matters The majority of the material matters described in our 2016 integrated report remain relevant, even though the level of importance to stakeholders or the impact on our value creation may have changed. Some new issues have been reported or increased in importance.

The following have been identified as material matters in this report:

Material matter	Current impact on value creation	Timeframe of impact
Regulatory environment and uncertainty of the electricity price path, including the treatment of KfAs	Negative	Short, medium and long-term
The impact of expenses or declining sales on EBITDA, combined with the impact of increased electricity prices in the economy	Negative	Short to medium term
Financial performance, cost management and liquidity	Positive	Short to medium term
Funding gaps and the impact of credit ratings downgrades, together with Government support	Both positive and negative	Short, medium and long-term
Active customer debt – mainly municipalities and residential customers – and the impact of disconnections on customers	Negative	Short to medium term
Service aspects which is due to improved plant performance, new capacity being brought online by the new build programme and increasing 0%+ output with regular outages, which may impact the functioning of other power stations	Both positive and negative	Medium to long-term
Environmental performance, including emissions, water use and environmental consequences, which may affect our capacity and compromise our licence to operate	Negative	Short to medium term
Energy risk and carbon footprint of our fleet, including operational and nuclear assets, coupled with concerns around nuclear security and climate change	May be either positive or negative	Medium to long-term
Energy risk and carbon footprint of our fleet, including operational and nuclear assets, coupled with concerns around nuclear security and climate change	Positive	Medium to long-term
Governance and procurement practices	Neutral to negative	Short, medium and long-term

Our strategy risks, which are largely aligned to the material matters, are set out on page 27 with their associated risk rating and treatment strategy.

Simply put, the Integrated Report should describe and explain:

1

Business purpose and ambition over short, medium and long-term

5

Factors which ensures that the business strategy is resilient

2

Strategy to achieve the business ambition

6

Identification of any vulnerability to business strategy

3

Material issues which are crucial for the strategy to be successful

7

Mechanism to measure and track the business success

4

Plans to manage these material issues

..... and follows these 18 rules

Principles



Completeness



Materiality



Stakeholder
engagement



External
environment



External
assurance



Balance



Conciseness
& alignment

Content



Sustainability
governance



Strategy



Implementation
& controls



Targets
& commitments



Performance



Partnerships
& collaboration



Evidence of
activities

Experience



Accessibility



Story
& messaging



Navigation
& flow



Compelling
design

SDGs



SDGs

References and further reading

- 1 Integrated Reporting, Leading practice examples provided by the IIRC and Black Sun
<http://examples.theiirc.org/home>
- 2 Integrated Reporting Committee of South Africa, Preparing an Integrated Report, 2015
- 3 IIRC and WICI Global Network, Integrated Reporting for SMEs: Implementation Guide
- 4 Radley Yeldar, Reporting Matters – Methodology in Evaluation of an Integrated Report
- 5 Deloitte, A Director guide to Integrated Reporting
- 6 WBCSD's Future Leaders Program 2014, <https://www.wbcd.org/Projects/Education/Leadership-program/Resources/Integrated-Reporting-in-South-Africa-From-Concept-to-Practice>

About the Contributors

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FREQUENTLY ASKED **QUESTIONS**



1. How to get top management buy in for IR?

Benefits of an Integrated Report needs to be emphasised while building the business case for it. Some benefits seen by businesses are:

Integrated Thinking pushes organisations to bridge business units and functions, time horizons, and internal and external perspectives to evolve the business model and strategy. Through this bridging process, organisations benefit from reduced organisational silos, a clearer understanding of cause and effect, and improved decision making.

Leveraging IR as a tool meet both business and sustainability goals

Raising capital by communicating the Integrated Report to investors

Adopting and demonstrating best practices among peers



2. How to determine material issues?

In IR, it is necessary to identify the relevant aspects that may have impact on strategy, governance, business model, performance and prospects. For doing this, it is necessary to:

Identify the scope of the materiality determination

process: A logical starting point is to identify the activities, performance and impacts of the financial reporting entity, including subsidiaries, joint ventures and investments over which the organisation has control or significant influence. Establishing these parameters around the process for determining materiality not only helps to identify the inputs, business activities and outputs essential to value creation, but it also reveals key relationships with, for example, suppliers, strategic partners, communities and customers. Although engagement with stakeholders should already be embedded in the ordinary course of business, understanding the relative priority of stakeholders as they pertain to the materiality determination process is important.

Identifying relevant matters:

To identify relevant matters, consider topics or issues that:

- Could substantively affect value creation
- Link to strategy, governance, performance or prospects
- Are important to key stakeholders
- Form the basis of boardroom discussions
- May intensify or lead to opportunity loss if left unchecked



2. How to determine material issues?

Evaluating the importance of relevant matters:

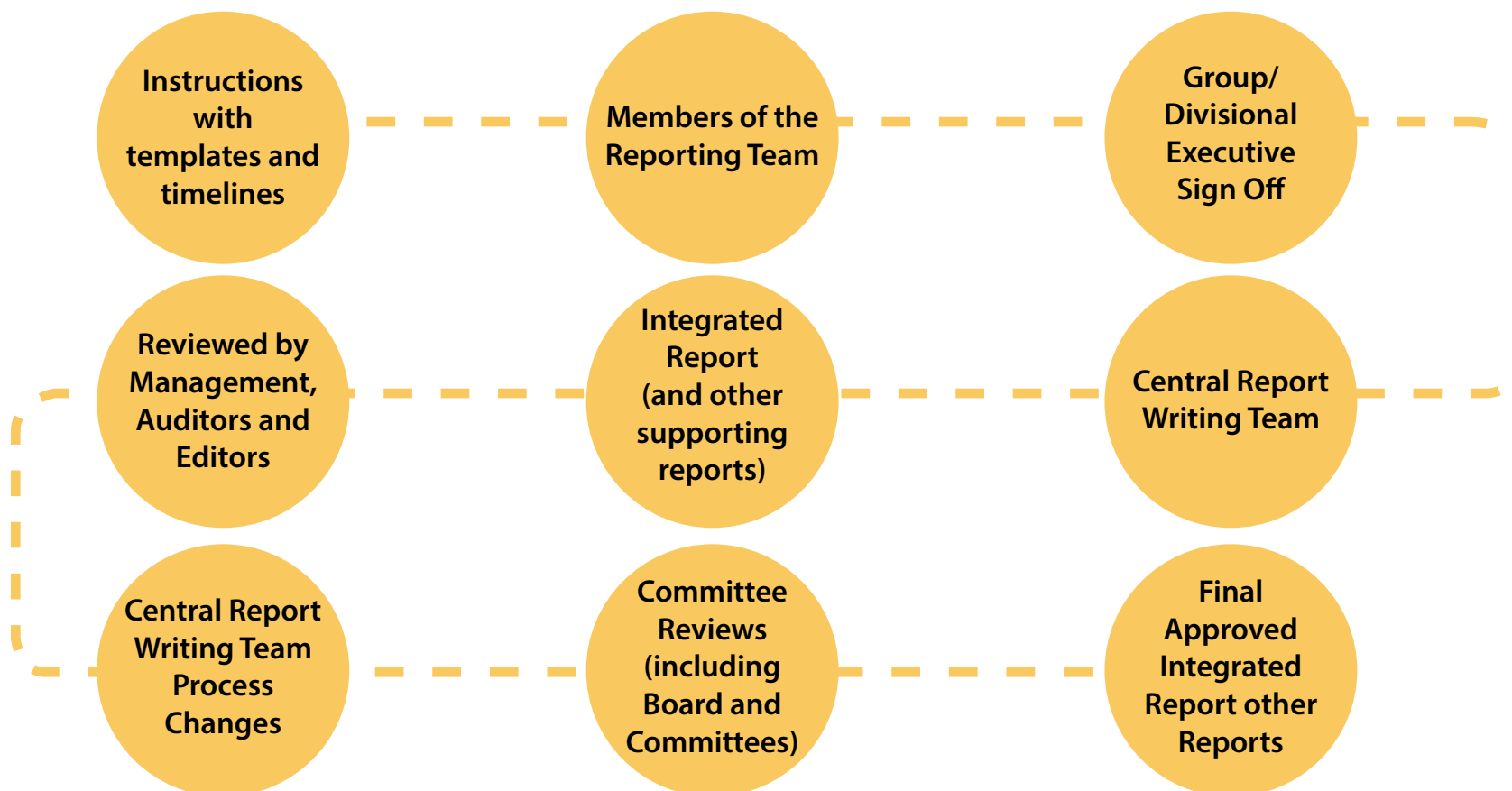
When evaluating the importance of relevant matters, consider:

- Both quantitative and qualitative assessments are important in the evaluation of a matter's importance.
 - Quantitative factors can be expressed in terms of money (e.g., sales, capital expenditures, return on investment), operations (e.g., production efficiency, output volume, capacity utilisation) and market competitiveness (e.g., market share, customer volume, number of regions served) among others.
 - Qualitative factors can provide important context and meaning. Such factors can include causal relationships between a given matter and the organisation's social or legal license to operate or continued access to key capitals. For example, the matters of regulatory infringements, corruption, workplace fatalities and environmental disasters can each erode reputation, sales opportunities and access to a skilled and engaged workforce.
- The nature, area (internal or external) and timeframe of effects
- The likelihood that effects will occur

Prioritising relevant matters: Matters with the greatest effect, whether current or potential, on the organisation's ability to create value are considered **material for reporting purposes**.



3. How to collate and review data and information?



Notes:

- Instructions include timelines, information requirements and formats
- Reporting team comprises representatives from business and divisional units
- Assigning information owners ensures accountability
- A clear process that is documented and well understood is key to ensuring accurate information – both qualitative and quantitative
- Systems for data collection and storage are standalone for non-financial information or as for one company, integrated into the financial system

4. How to connect the strategy and key performance indicators?

Benefits of an Integrated Report needs to be emphasised while building the business case for it. Some benefits seen by businesses are:

Primary objective	Market value					
Financial drivers	● Increased sales	● Reduced costs	● Increased cashflow	● Brand value	● Risk management	
Core non-financial drivers	● ● ● Human capital	● ● Customer relations	● ● ● ● Partnerships	● ● ● ● ● Environment	● ● ● ● ● Innovation	● ● ● Corporate governance
Key metrics	• Employee engagement	• Customer satisfaction	• Public perception • Supply chain management	• Carbon emissions • Waste management • Life cycle assessment	• Product/service development	• Ethical integrity • Board composition
ESG factors	• Absence rate • Staff turnover • Health and safety • Fair restructuring • Training • Performance management • Equality and diversity • Reputation • Commitment to customer • Talent recruitment and retention	• Customer loyalty • Retention • Reputation • Trust • Price, product, service quality	• Opinion former perception • Media coverage • Community investment • Stakeholder dialogue • Social impact • Legal/regulatory breaches • Inclusion	• Energy efficiency • Deployment of renewables • Waste reduction • Recycling • Environmental impacts • Environmental breaches	• New products and services • Value of patents • Customer perception • Talent recruitment and retention • Training • R&D expenditure	• Numbers of non-exec/independent directors • Equality and diversity • Training and development • Audit processes • Reporting and transparency • Reputation • Shareholder interests • Anti-corruption policy/practice • Competitiveness

Source: Drought Centre for Corporate Responsibility, Cranfield School of Management, "Sustainable Value EABIA Research Project: Corporate Responsibility, Market Valuation and Measuring the Financial and Non-Financial Performance of the Firm", September 2009

5. What do investors advice on preparing Integrated Reports?

Do's

- ✓ Board and top management involvement
- ✓ Board and top management should view Integrated Reporting as a tool to improve or reinforce a culture of performance.
- ✓ Top management see Integrated Reporting as a way to break down department silos.
- ✓ Show the six capitals are aligned with the strategy and the same goals.

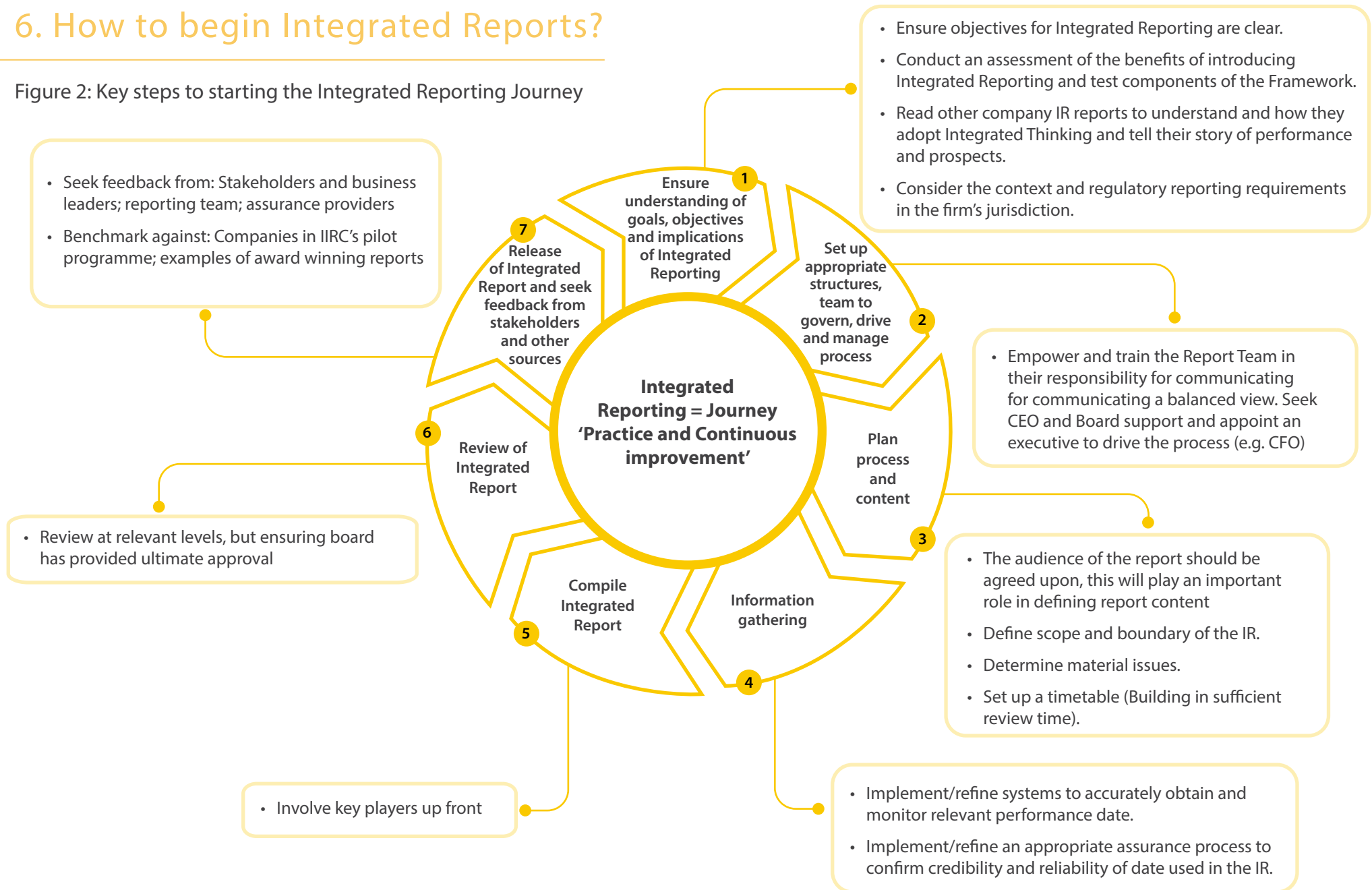
Dont's

- ✗ Treat an Integrated Report as an aggregate of existing reports, which causes more harm to a company's image than having no Integrated Reporting at all.
- ✗ Outsource the report to a consulting company, as they tend to produce boiler plate Integrated Reporting.
- ✗ Report activity in the same way as before; please not cut and paste from Annual Reports.
- ✗ Follow a framework to the letter and run the risk of not telling the real company story.

Source : <https://integratedreporting.org/faqs/#how-does-integrated-reportings-capitals-based-approach-align-with-a-traditional-stakeholder-analysis>

6. How to begin Integrated Reports?

Figure 2: Key steps to starting the Integrated Reporting Journey





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