

Application of Capitals to Integrated Reporting Explored in New Background Paper

The current and future application of capitals in Integrated Reporting <IR> are explained today in a new report prepared for the IIRC (International Integrated Reporting Council) by a group led by ACCA (the Association of Chartered Certified Accountants) and the Netherlands Institute of Chartered Accountants (NBA).

The Background Paper for <IR> explores the multiple capitals that are recognised as a fundamental concept for <IR>. The IIRC has identified capitals as financial capital, manufactured capital, intellectual capital, human capital, social and relationship capital, and natural capital.

When reported together, these capitals represent an important picture of an organization's value creation. All organizations depend on various forms of capital for their success, including ones they do not own, and the different capitals should be part of the organization's business model and strategy.

The Paper is being issued ahead of the IIRC's global consultation about the future of <IR>, due to be published on the 16 April 2013. The report provides a sound basis for the role of capitals in the <IR> Framework, suggests new proposals for improving the categorisation and descriptions of capitals adopted by the IIRC and provides more background to what may be unfamiliar concepts to help in their practical application.

Rachel Jackson, head of sustainability at ACCA and a member of the steering group for this Paper, says: "Although companies depend on the six capitals to different extents, collectively these capitals affect the long term survival of any company and influence its value creation. Reporting on them is therefore a crucial element in future corporate reporting and will be necessary to meet stakeholders' expectations."

Dr Andrea Coulson, from the University of Strathclyde, Chair of ACCA's Global Forum on Sustainability and a member of the project team adds: "Exploring the concept of multiple capitals; their definition, relationships and maintenance is critical to an inclusive debate on developments in <IR>".

Dr Carol Adams, Director at Integrated Horizons, and also a member of the project team, says: "CFOs and Boards have tended to privilege information which can be quantified, focus on the short term and ignore the impact that value creation and depletion of some of the capitals can have on long term business success. All that must change for organisations that want to be around in the long term."

The report concludes that there is a need to place capitals in a strategic context, which is a prime need for investors who make their investment decisions based on material about a company available to them.

Richard Martin, head of corporate reporting at ACCA concludes: "The key point about <IR> is to communicate value, giving a broader explanation of performance than traditional reporting, and identifying and reporting on capitals, either via metrics or being part of the narrative."

Notes to Editors:

1.The Technical Task Force of the International Integrated Reporting Council (IIRC) established a Technical Collaboration Group (TCG) to prepare the Background Paper for <IR>. The TCG was coordinated by the lead organizations ACCA and NBA with input from participants from a range of disciplines and countries. The paper reflects the collective views of TCG participants, not necessarily those of their organizations or the IIRC.

2.The IIRC considered interim findings from the TCG when preparing the Prototype Framework released in November 2012, and is further considering this paper in developing a Consultation Draft of the International Integrated Reporting (<IR>) Framework. The paper provides background information that will assist stakeholders when responding to the Consultation Draft.

3.The Project Team: Carol Adams, Independent consultant and Monash University; Andrea B. Coulson, University of Strathclyde; Tom Emmelkamp, Ernst & Young; Redmer Greveling and Guido Klüth, KPMG; Michael Nugent, IIRC and International Federation of Accountants

4.The Steering Group : Melissa Brown, Daobridge Capital Limited; Rachel Jackson, ACCA (secretariat); Paul G. W. Jansen, VU University Amsterdam; Kenan Patrick Jarboe, Athena Alliance; Henny Kapteijn, Nederlandse Beroepsorganisatie van Accountants and International Federation of Accountants' Professional Accountants in Business Committee; Richard Martin, ACCA; Alexandre Nakamaru, Natura; Jeanne Ng, China Light and Power; Stefano Zambon, University of Ferrara and WICI Europe.

5.ACCA (the Association of Chartered Certified Accountants) is the global body for professional accountants with 154,000 members and 432,000 students in 170 countries worldwide. We aim to offer business-relevant, first-choice qualifications to people of application, ability and ambition around the world who seek a rewarding career in accountancy, finance and management. We work through a network of over 80 offices and centres and more than 8,400 Approved Employers worldwide, who provide high standards of employee learning and development. www.accaglobal.com

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