

ASSURED INTEGRATED REPORTING INFORMS

Credibility and Trust

In August 2016 the IAASB presented a paper about supporting Credibility and Trust in emerging forms of external reporting (EER). The Integrated Annual Review 2017 of ABN AMRO is an innovative example of EER and includes cover-to-cover, limited external assurance based on the <IR> framework of the IIRC. In this article we will exploit the road to, and the benefits from, assurance provided on an Integrated Report.

By Jan Niewold

Integrated reporting

The explanatory power of stand-alone financial reports to indicate the market value of companies is declining. Driving their decline are criticisms, such as short-termism and disconnection of reporting with strategic value drivers. Integrated reporting is one of the answers to this criticism and helps organizations to understand and communicate their own value creation. Prior to the first compilation of the Integrated Report, Integrated thinking has to take place. The report itself will further stimulate this process and results in more engaged integrated thinking. This process identifies the interdependencies between an organization's strategy, the social and environmental context, risks and opportunities and financial and non-financial performance.

An increasing number of organizations are choosing to disclose their value creation (model). Although this development encourages companies to use the <IR> framework, it is not yet commonplace. In 2017, ABN AMRO used the <IR> framework for its full Integrated Annual Review (IAR), leading to a new dimension in Corporate Reporting.

Reporting informs credibility and trust

Based on the IAASB report on EER, four factors are important for credibility and trust in an Integrated Report: the reporting framework, governance, consistency with other information and external assurance. We highlight here the reporting framework because that is the key differentiator compared to other forms of EER. A reporting framework is a published set of criteria that is used to measure, recognize, present, and disclose the information appearing in an entity's report. These criteria should be suitable; embodying general characteristics such as relevance, completeness and reliability. The <IR> framework provides a basis for suitable criteria selection in the form of guiding principles which comprise strategic focus and future orientation, connectivity, stakeholder relationships, materiality, conciseness, reliability and completeness and consistency and comparability. Next to this, an organization should disclose how the reporting criteria were implemented. In the case of ABN AMRO, supplemental reporting criteria were also disclosed. These were used to prepare the IAR 2017.



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The road to and benefit of assurance

The IAR of ABN AMRO breaks new ground in corporate reporting. How will assurance providers deal with this new dimension? ABN AMRO's external assurance provider EY provided limited assurance on the IAR using its (ISAE-3000-based) Sustainable Assurance Methodology (SAM), customized for the specific characteristics of an integrated report. This customization takes place in a 5-step approach which is performed during different phases of the assurance engagement. Because the planning phase takes place before the IAR is produced, some of the procedures from the 5-step approach have to be updated once the IAR is available.



Important elements to assess are the value creation model, the capitals and the related risks and opportunities



The first step is the identification of an appropriate underlying report. Appropriate means that the content of the underlying report can be measured or evaluated against suitable criteria and that sufficient and appropriate evidence can be obtained to support the level of assurance to be provided. The next step is the assessment of the suitability of the chosen criteria. In the third step, we determine if the organization operates in an integrated way and if this is observable in elements such as the governance structure and the management information. The outcome of the first three steps is updated after receiving the IAR. In the fourth step, we focus on the guiding principles. In comparison with traditional reporting of non-financial information, the guiding principles of <IR> (particularly strategic focus, future orientation, connectivity and conciseness) demand additional attention.

We finish our 5-step approach with a check on the application of the content elements of the <IR> framework. Important elements to assess are the value creation model, the capitals and the related risks and opportunities. These elements are at the core of an integrated report. Other content elements such as organizational overview, performance and outlook are also important to assess. For this assessment we use the <IR> framework as a reference and perform procedures to identify the formal and material compliance of the report with the <IR> Framework. To facilitate this, we have developed the <IR> maturity scan.

Based on the outcome of our 5-step approach (including the <IR> maturity scan) and the procedures described in SAM, we can conclude whether the assurance evidence obtained is sufficient and appropriate, providing a basis for our conclusion which is expressed in our assurance report.

In our assurance approach we pay specific attention to the elements which underpin credibility and trust. By being assured, the position of an integrated report gains robustness in the corporate reporting suite and in the capital market. As the <IR> framework was only launched in 2013, this is a fast-moving and promising development for the future.



CFO Yoga – Übung 8 – Sedentary Turnover

Immer schön beweglich bleiben. Agilität bei Planung und Reporting sind in der heutigen, sich schnell wandelnden Zeit eine Pflicht. Stampa Partners unterstützt CFOs bei der Planung und der Budgeterstellung, bei der Konsolidierung und der Integration der Quellen von Buchhaltungsdaten sowie bei der Berichterstellung und der Einhaltung internationaler Rechnungslegungsstandards. Unsere ausgeprägte Umsetzungskompetenz garantiert eine effiziente und effektive Realisierung der Projekte. **Stampa & Partners AG**, Grafenauweg 6, 6300 Zug, www.stampa.partners, Telefon +41 41 727 19 11



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