

The <IR> Competence Matrix

Draft for feedback

July 2015

Introduction

The <IR> Competence Matrix has been developed to identify the knowledge, skills and behaviours needed to work within an Integrated Reporting environment.

This document has been developed by the International Integrated Reporting Council as a draft to obtain feedback from the market prior to a final version being released. Organizations are encouraged to communicate it widely through their networks to ensure that meaningful feedback can be obtained. It is a draft and therefore subject to change. It is therefore not to be used as a basis for any learning programmes, or for commercial purposes or otherwise for financial gain. Guidance on using the final, published <IR> Competence Matrix will be provided when it is launched, including information on applicable licensing arrangements.

www.integratedreporting.org

The <IR> Competence Matrix

Two competence levels have been developed – Introductory and Practitioner

The Introductory level reflects the competence requirements for individuals who need to understand the benefits which Integrated Reporting can bring to an organization, but who are not directly involved in the preparation of the integrated report.

Competence at Introductory level means being able to:

- Present the business case for the introduction of Integrated Reporting, including integrated thinking, to an organization.
 - Explain the fundamental concepts of value creation, the capitals, and the value creation process.
 - Describe the requirements of the International <IR> Framework.
 - Describe the factors which contribute to successful implementation of Integrated Reporting, including integrated thinking, within an organization.
-

The Practitioner level builds directly on the Introductory level and reflects the competence requirements for individuals who are directly involved in Integrated Reporting within an organization, including preparation of the integrated report.

Competence at Practitioner level means being able to:

- Demonstrate the Introductory level learning outcomes.
- Apply the fundamental concepts of value creation, the capitals and the value creation process to an organization.
- Participate effectively as part of a team preparing an integrated report.
- Participate effectively as part of a team planning and coordinating the implementation of Integrated Reporting, including integrated thinking, within an organization.

Structure of the <IR> Competence Matrix

The <IR> Competence Matrix has four competence areas:

- a) Integrated Reporting – the vision for better corporate reporting
- b) Integrated thinking – creating value over time
- c) Preparing the integrated report– communicating value creation
- d) Implementing Integrated Reporting – from financial management to value management.

Each competence area is further divided into subject areas and related learning outcomes. The learning outcomes establish the content and depth of knowledge, understanding and application required for each subject area.

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|---|---|---|---|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| 1. Integrated Reporting - the vision for better corporate reporting | 1.1) The evolution of the Integrated Reporting movement. | <ul style="list-style-type: none"> Describe the drivers behind the development of the International <IR> Framework. Describe the objectives and structure of the International <IR> Framework. Explain the terms Integrated Reporting, integrated thinking and integrated report and describe the relationship between them. Describe the place of Integrated Reporting within the wider statutory and voluntary reporting landscape. | <ul style="list-style-type: none"> Distinguish between, and identify the relationships with, Integrated Reporting and other forms of statutory and voluntary reporting, including sustainability reporting, financial reporting and other forms of narrative reporting such as the management commentary or management discussion and analysis. Analyze the reporting requirements within a specific jurisdiction and how Integrated Reporting fits within these. |
| | 1.2) The benefits of Integrated Reporting. | <ul style="list-style-type: none"> Present the benefits of adopting Integrated Reporting to (i) an organization, (ii) its providers of financial capital, and (iii) its other stakeholders. Explain how the interests of the organization, its providers of financial capital, and its other stakeholders can be aligned through taking a longer term view of value creation. | |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|---|---------------------|---|---|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| 2. Integrated thinking - creating value over time | 2.1) Value creation | <ul style="list-style-type: none"> • Explain how value is co-created over time. • Explain the relationship between value to the organization and value to others. • Explain how value creation can differ from one organization to another and, even within one organization, from one person's perspective to another's. • Explain the relationship between value creation and an organization's stated mission, vision and objectives. | <ul style="list-style-type: none"> • Determine externalized effects on value, beyond the organization itself. • Determine what value creation means to an organization and the individuals within it. |
| | 2.2) The capitals | <ul style="list-style-type: none"> • Explain the relationship between the capitals and the concept of value creation. • Describe each of the capitals and identify alternative classifications of capital which organizations may choose to adopt. • Explain the interaction between components of the capitals and how increases, decreases and other transformations over the short, medium and long term involve trade-offs. • Identify the significant capital components for different sectors and their relative importance in these sectors. | <ul style="list-style-type: none"> • Determine the significant capital components for an organization. |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|--------------------|------------------------------------|---|--|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| | 2.3) The value creation process | <ul style="list-style-type: none"> • Explain the key elements of the value creation process. | <ul style="list-style-type: none"> • Present the value creation process for an organization as a simple diagram. • Critically evaluate examples of how the value creation processes for a range of organizations are described in their integrated reports. |
| | 2.4) Achieving integrated thinking | <ul style="list-style-type: none"> • Explain the role of leadership in the successful implementation of integrated thinking within an organization. • Discuss the importance of effective change management to achieving integrated thinking. • Identify the main barriers to integrated thinking within an organization and explain how they may be overcome. • Explain how a systems thinking approach is inherent in managing the connectivity of information. | <ul style="list-style-type: none"> • Explain how a strategic focus on the continued availability, quality and affordability of significant capitals contribute to the organization’s ability to achieve its strategic objectives in the future and create value. • Analyze how the connectivity of information relates to the connectivity of the activities of the organization. • Apply appropriate tools and techniques, to help manage the combination, interrelatedness and dependencies between the factors that affect an organization’s ability to create value over time. • Critically evaluate examples of integrated reports for evidence of integrated thinking. |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|---|-----------------------------|--|--|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| 3. Preparing the integrated report - communicating value creation | 3.1) The Guiding Principles | <ul style="list-style-type: none"> • Explain the Guiding Principles for Integrated Reporting. | <ul style="list-style-type: none"> • Identify potential tensions between different Guiding Principles. • Advise an organization how to maintain a strategic focus and future orientation throughout an integrated report. • Determine the reporting boundary for an organization. • Assess the extent to which day-to-day interactions with stakeholders can be used to gain insight into the organization's relationships with its key stakeholders and advise on additional engagement approaches. • Design a process to collate feedback from interactions with key stakeholders to identify material matters. • Design an appropriate materiality determination process for the purpose of preparing and presenting an integrated report. • Explain how materiality relates to both conciseness and completeness. |
| | 3.2) The Content Elements | <ul style="list-style-type: none"> • Describe the Content Elements of an integrated report. | <ul style="list-style-type: none"> • Recognize the fundamental nature and vocabulary of strategy and strategic decisions. • Design a framework for board-level consideration of risks and opportunities for Integrated Reporting purposes, incorporating an organization's existing risk management processes. |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|--------------------|------------------|---|---|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| | | | <ul style="list-style-type: none"> • Advise on the difference between outputs and outcomes when reporting on the performance and outlook of an organization. • Analyze the connection between outcomes and value creation when reporting on the performance and outlook of an organization. • Apply the common characteristics of quantitative indicators to the development of indications for use within an integrated report. • Advise on ways in which an organization may provide realistic future-orientated information within its integrated report. • Evaluate the different types of future-oriented information that an organization might report. • Explain how an organization discloses how it determined which matters to include in the integrated report. • Assess the leading reporting frameworks and methods available to organizations to quantify or evaluate matters they report on. • Determine the appropriate reporting treatment for (a) disclosure of material matters, (b) disclosures about the capitals, (c) time frames for short, medium and long term and (d) aggregation and disaggregation. |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|--|---|---|---|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| | 3.3) The integrated report | <ul style="list-style-type: none"> Critically evaluate examples of integrated reports against the primary purpose of an integrated report i.e., explaining to providers of financial capital how an organization creates value over time. | <ul style="list-style-type: none"> Critically evaluate examples of integrated reports against the requirements of the International <IR> Framework. |
| 4. Implementing Integrated Reporting – from financial management to value management | 4.1) Implementing an Integrated Reporting management system | <ul style="list-style-type: none"> Identify the conditions that are likely to lead to successful implementation of Integrated Reporting within an organization. Identify the likely barriers to successful implementation of Integrated Reporting and describe how they may be overcome. Explain the challenge of providing decision-useful information to providers of financial capital and other stakeholders whilst maintaining competitive advantage. | <ul style="list-style-type: none"> Apply change management principles to the implementation of Integrated Reporting within an organization. Determine the implications for people, processes and technology, within an organization, of implementing Integrated Reporting. Design an internal management system to collate information on all relevant capitals to present material information in an integrated report. |
| | 4.2) Planning the annual preparation process | <ul style="list-style-type: none"> Explain the role of senior management and those charged with governance at various stages of preparing an integrated report. | <ul style="list-style-type: none"> Design a comprehensive project plan to prepare and present an annual integrated report. |

| Area of competence | Subject coverage | Introductory learning outcomes | Practitioner learning outcomes |
|--------------------|---------------------------------------|--|--|
| | | Competence at this level means being able to: | Competence at this level means being able to demonstrate the Introductory learning outcomes PLUS being able to: |
| | 4.3) Credibility, trust and assurance | <ul style="list-style-type: none"> • Identify various mechanisms used to enhance the credibility of, and trust in Integrated Reporting. • Explain the role of senior management and those charged with governance in ensuring the credibility of, and trust in an integrated report. | <ul style="list-style-type: none"> • Advise on the key features of an integrated management system required to provide sufficient and appropriate evidence for credibility, trust and assurance. • Evaluate the benefits and challenges of obtaining external assurance of integrated reports. |

About Integrated Reporting <IR>

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The coalition is promoting communication about value creation as the next step in the evolution of corporate reporting. The International <IR> Framework has been developed to meet this need and provide a foundation for the future.

<IR> is enhancing the way organizations think, plan and report the story of their business. Organizations are using <IR> to communicate a clear, concise, integrated story that explains how all of their resources are creating value. <IR> is helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence and improve future performance.

As set out in the International <IR> Framework, an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value in the short, medium and long term. The Framework enables a business to bring these elements together through the concept of 'connectivity of information', to best tell an organization's value creation story

www.integratedreporting.org

Copyright © July 2015 by the International Integrated Reporting Council ('the IIRC'). All rights reserved. Other than as provided hereafter, prior written permission from the IIRC is required to reproduce, store, transmit or make any other use of this document, or any part thereof, except as permitted by law.

Permission is granted to make copies of this document, or any part thereof, to achieve maximum exposure and feedback, provided that each copy bears the following credit line: "Copyright © July 2015 by the International Integrated Reporting Council ('the IIRC'). All rights reserved. Used with permission of the IIRC. Permission is granted to make copies of this document, or any part thereof, to achieve maximum exposure and feedback."

The IIRC does not accept responsibility for loss caused to any person who acts, or refrains from acting, in reliance on the material in this document, whether such loss is caused by negligence or otherwise.

Contact: training@theiirc.org