Overview of integrated reports
Published by SBF 120 companies in 2018
September 2018
Introduction

This benchmark was carried out using the annual communication published by SBF 120 companies in 2018. Its objective is twofold:

• identify the companies that published an integrated (or similar) report for their last fiscal year, and

• analyze the contents of this report and the emerging practices using an analysis grid with over 100 questions.

In total, 36 companies (listed on the following page) were identified and included in our sample, either because they publish an integrated report, or because they publish an annual communication that refers to the International Integrated Reporting Council (IIRC) and/or whose contents appears to be very similar to that expected in an integrated report.

An integrated report may be defined as 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. An integrated report is not mandatory. However, it enables a business to report on its fundamentals to all of its stakeholders, while guiding them towards the more detailed regulatory documents that it also publishes.

Our analysis focuses on the following 6 topics: reporting methodology and connection with stakeholders, business model, risks and opportunities, governance, performance indicators and objectives, and connectivity. Our main findings are presented in this document.

The aim of this benchmark is not to fully analyze the application of the guiding principles, fundamental concepts and contents of an integrated report but rather to shed light on topics on which we are most often consulted. It was conducted using public data and is not intended to assess how these concepts are integrated into the management and governance of organizations.
Air Liquide
Atos
Axa
Bic
Bouygues
Capgemini
Covivio (ex-Foncière des Régions)
Crédit Agricole
Danone
Edenred
Engie
Eurazeo (Eurazeo PME)
Gecina
Gemalto
Kering
Legrand
L’Oréal
Mercialys
Nexans
Nexity
Orange
Pernod Ricard
PSA
Sanofi
Schneider Electric
Scor
Société Générale
Sodexo
Solvay
Suez
TF1
Thales
Total
Valeo
Veolia
Vivendi
Reporting methodology and connection with stakeholders

36 Integrated reports were published in the first half of 2018 (covering fiscal 2017) by SBF 120 companies, a 50% increase compared to the previous year.

13 reports were included in the registration document (or the AGM annual report for two foreign companies).

23 chose an independent integrated report that often replaces the sustainable development or annual institutional report (or corporate brochure).

54 pages on average

6% stated that their report was validated by a governance body.

83% identified their stakeholders.

25% addressed the method of dialoguing with their stakeholders.

53% presented a materiality matrix.

61% IIRC

Reference to the International Integrated Reporting Council (IIRC)

22% GRI

Reference to the Global Reporting Initiative (GRI)

50% SDG

Reference to the United Nations Sustainable Development Goals (SDG)
Business model

The business model - which is key to understanding organizations, but sometimes difficult to explain due to its complexity and/or its multi-faceted nature - was presented by 89% of the companies analyzed. A business model can have various definitions but is generally considered as a presentation of the main resources used by an organization (input), its operating activities, its deliverables (goods, services, by products and/or waste (output)) and the value created for its stakeholders. The resources used and the value created may differ and are classified by the IIRC into 6 “capitals”: financial, manufactured, intellectual, human, social/relationship and natural. However, these categories should be tailored to the situation of each individual business.

Certain companies chose to position their business model within the value chain and/or explain the value created in relation to each type of stakeholder.

A component of the Non-Financial Performance Statement (transposition of the EU non-financial reporting directive) that is compulsory in France from FY 2018, the communication of business models will no doubt be a major focal point in the months to come.

- 42% presented the 6 capitals
- 56% presented their outputs
- 69% presented their activities/differentiating factors
- 78% presented their value creation
Risks and opportunities

Whereas companies tend to naturally highlight the opportunities open to them in their communication, they generally report on risks to comply with the requirements of the management report and registration document. The list of risks may sometimes be long and turn out to be worrisome.

With an average of 9 risks, more than 40% of the companies analyzed have summarized their primary risks in their integrated report, weighting them in relation to the related risk prevention mechanisms and even mentioning the opportunities that may arise from such risk-taking.

The integrated report can therefore be used to present, in an educational and informative manner, the risks and opportunities specific to an organization in its ecosystem, how it intends to address and manage them and the governance of the risk prevention system in place.
Governance

Report on corporate governance, “Say on Pay”, registration document, etc., governance reporting has escalated in recent years. The integrated report is designed to focus on the most prominent and differentiating aspects of the organization, to reassure stakeholders regarding the ability of the governance structures to successfully deliver strategy.

- 28% addressed the competencies of their directors
- 50% described the compensation principles of executive management
- 22% described variable compensation criteria
- 25% presented a correlation between compensation and group performances
Past and future performance indicators

Businesses provide a large amount of operational, financial and non-financial data. The preparation of the integrated report requires the inclusion of strategic performance indicators designed to create value for the stakeholders.

Our analysis therefore focused on the level of integration of financial and non-financial indicators*, their number and their past and future time horizons.

**Over 50%** of the sample companies disclosed quantified objectives on their financial and non-financial key performance indicators.

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*Non-financial items are sometimes referred to as “pre-financial”.*
Connectivity

Among the guiding principles for the preparation of an integrated report, the notion of connectivity is one of the newest and most difficult to understand.

Connectivity can be defined as all the associations, correlations and dependencies between the factors that impact a company’s ability to create value over time.

The most significant forms of connectivity in the integrated reports of our sample involved:

- the connections between changes in the company’s ecosystem, and their impacts on its strategy and business model;
- the links between financial and non-financial information, particularly the implications of R&D or environmental policies on revenue growth and/or cost reduction;
- the interdependencies and trade-offs between capitals.

In total, more than 1 third of sample companies presented proper examples of connectivity in their report. Connectivity may adopt numerous other forms and will have to be developed as integrated reporting matures within organizations.
Outlook and recommendations

01. The integrated report must be considered as “pivotal” for financial and non-financial reporting, leading to more specific supports, where necessary. It is not a “complementary report” but a structural evolution in corporate reporting.

02. Over and above the reporting, the concept involves promoting integrated thinking, encouraging an overall vision of the business, its risks and performances (financial and non-financial); and an organization that is more accessible to its stakeholders, more transversal and guided by the necessary strategic goals and transformations.

03. Integrated reporting practices are diverse, and a business must adapt the concept to its situation, culture, organizational and social challenges, and its current financial reporting. The IIRC framework is a reference that offers flexibility and not a strict standard that must be followed to the letter.

04. The process requires companies to give careful thought to their purpose, or raison d’être, and their contribution to economic, social and environmental transformations, as well as a clear strategic and social vision with reference, for example, to the UN Sustainable Development Goals.

05. Integrated reporting is a continuous improvement process, an opportunity to share a common vision internally, a reason to improve communications with stakeholders and sometimes a strategic and organizational transformation tool for the company.

06. The Non-Financial Performance Statement is the first step towards integrated reporting, mainly through the need for companies to present their business model and primary risks with a focus on materiality.
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