ARTICLE

Integrated Reporting
An evolution in Financial Reporting

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Integrated Reporting reflects how our company thinks and does business. This approach allows us to discuss material issues facing our business and communities and show how we create value, for shareholders and society as a whole. “**Dimitris Lois, CEO, coca cola HBC.**

The corporate landscape is changing and where the investors are now eager to invest in the companies having good strategies on what they can trust and can bring an organization to a competitive advantage position. From the volume and recurrence of data made available by organizations, access to important and relevant information for equity investors has now become really tough. Integrated reporting resolves this issue by empowering organizations to coordinate both their financial and operational reporting into one report that incorporates just the most notable or material measurements that stakeholders expect from the company. According to investors, their decision to invest funds is dependent on the aspects of integrated reporting. Integrated Reporting clubs and present together with the material information about an organization's strategy, and controls to apply strategies, performance, and perspective of the company.

It is not merely about reporting, it sums up all information in one place about strategies, governance, performance, and prospects in a way that reflects the social, commercial, and environmental context within which it operates. Integrated Reporting encounters Integrated Thinking or we can say bases for as to how companies do business and how they create value over the short, medium, and long term. The value of information depicted through integrated reporting is a crucial aspect that needs to be considered.

This idea was first presented in South Africa and It became obligatory for Listed Companies in 2009 in South Africa. From that point, the Prince of Wales (UK) laid out the "Global Integrated Reporting Council" (IIRC) in 2010 to set up a system of IR. This reporting became obligatory in the UK in 2013 in the wake of the signing MOU between IIRC and IASB. As of now, Integrated Reporting (IR) isn't required in India yet, SEBI has

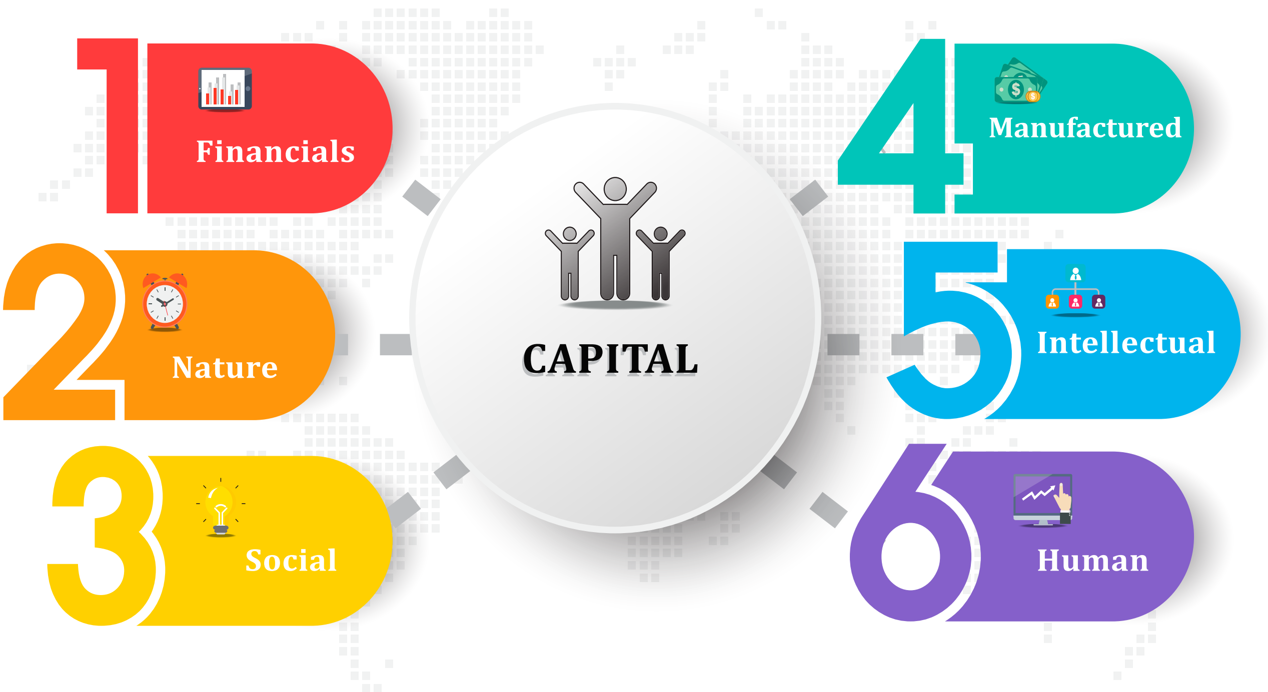
encouraged its Top 500 organizations to include integrated reporting while preparing their Annual Reports of 2017-18. It exhibits the acknowledgment by SEBI of this Reporting and it may become obligatory compliance for Listed Companies in the coming Future.

Ongoing financial scandals and the worldwide financial crisis have generated numerous criticisms of the value and use of the annual financial and supportability reports prepared by companies. And these traditional financial reports are continuously being reprimanded. The main reason for these kinds of scandals is the numbers, which are presented in the Financial Results. The companies can intentionally or unintentionally present the results in an unjustifiable manner for their benefit in any way. For this reason, integrated reporting emerges and can provide greater transparency to business management, allowing for greater and better sustainability, and linking financial performance and strategic information in a single report. This, in turn, has generated the elaboration and use of a new model of reporting corporate information that considers strategic, social, economic, and environmental aspects linking Financial and nonfinancial data together and jointly Known as integrated reporting.

Integrated Reporting is molded by a different alliance including business pioneers and investors to drive a worldwide development in corporate reporting. An integrated report is a succinct correspondence about how an organization's Strategy, Governance, Performance, and Prospects. With regards to its outside climate, It prompts the creation, safeguarding, or disintegration of significant value over the Short, Medium, and Long term. Integrated Reporting is improving the manner in which the organizations think, plan, and report the tale of their business. Integral to this is the recommendation that value is progressively formed by factors other than financial performance, like dependence on the environment, social reputation, human capital abilities, and others.

The value creation idea is the foundation of integrated reporting and is the direction for the eventual fate of corporate reporting. In addition to financial capital, integrated reporting looks at five additional capitals that should direct guide an organization's decision-making and long-term success - its value creation in the broadest sense.

The integrated reporting framework has classified the capital into 6 forms. The classification of capital as per integrated reporting is as follows-



Financial Capital	Under this, an entity has to explain its sources of funds, which entity possesses and uses them to produce goods or services and are generated through operations or investments. (i.e; Equity, Debt, Grant, Income, or Investments or Profit from Business operations).
Manufacture Capital	Under this, Entity has to explain its Tangible Assets which are used in the Production of Goods or providing of services. These Assets may be in the form of Buildings, Plant & Machinery, Equipment, Roads, etc.
Intellectual Capital	Under this, Entity has to explain its Intangible Assets, which directly or indirectly contribute to the production of goods or services. These Assets may be in the form of Patents, Copyrights, Brands, Technical Know-how, etc.
Human Capital	Under this, Entity has to explain the competencies, capabilities & Experiences, and abilities to motivate & understanding the organization of its Key Management Personel. Such as the ability to develop or implement strategies.
Social Capital	Under this, Entity has to explain its Social Activities. It may include spending on social programs etc.
Nature Capital	Under this, Entity has to explain its Natural Assets(renewable and non-renewable environmental resources) which are held in the Production of Goods. These Assets may be in the form of Air, Water, Land, Forest, Minerals, etc.

In addition to the above classification of capital, the organization can take the material matters into consideration and can consider providing the following:

- A clarification of the matter and its impact on the organization's strategy, plan of action, or capital.
- Important communications and interdependencies give a comprehension of circumstances and results.
- The organization's view with regards to this issue.
- Activities to deal with the matter and how successful they have been.
- The degree of the organization's command over the matter of quantitative and qualitative revelations, including comparative data for earlier periods and focuses for future periods.
- In the event that there is uncertainty encompassing a matter, disclosures about the vulnerability.

Applying the Guiding Principle isn't restricted to the Content Elements. It directs the determination and show off other substance, and may incorporate, for example:

- Featuring significant risks, opportunities, and dependencies moving from the organization's market position and business model.
- The connection between past and future execution, and the variables that can change that relationship.
- How the organization adjusts short-, medium-and long-term interests.
- How the association has gained from previous experiences in deciding future strategic headings.

It is evidenced that the stakeholders of the companies can make more precise cash flow predictions from the integrated reporting as compared to the decision made based on traditional annual reports. According to stakeholders, they can make a better decision from the integrated reporting because they can easily compare the internal strategies which are in a line with the company's vision with the opportunities & threats that the company possesses from the external environment. Thus, this comparison has created the elaboration and utilization of another model of detailing corporate data that considers key, social, financial, and natural aspects known as integrated Reporting, Taking the jump from traditional annual financial reports to a completely integrated report is a Challenging task, contrasting with reporting flexibility by giving the option to be presented as Standalone Report or in collaboration with Annual report.

AMRG Take

It's a welcome move by SEBI to bring the evolution in the presentation of the company's annual financial and sustainability reports in the present era. This reporting will help the investors to analyze the companies in a better way for an informed decision, as this reporting considers both internal and external factors which enables the entity to report its strength and weaknesses.

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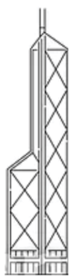

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