

FROM THE EDITOR'S DESK

Greetings!

Integrated reporting (IR) is a process which builds up the linkages between an organization's strategy, governance and financial performance and the social, environmental and economic context within which it operates. The aim of the integrated report is to give the stakeholders a holistic view of the company, its future and how it creates value. The two essential concepts of integrated reporting are capitals and the value creation process.

Integrated reporting is being adopted or explored by companies throughout the world. An increasing number of social reporting requirements driven by local regulatory bodies and stock exchanges have played a key role in continuing this momentum.

Capitals

In the IR framework, the capitals are the stores of value (or relationships) that are input into a company's business model. All organizations depend on various forms of capital for their success. The Framework describes six categories of capital. An organization is to use these categories as a benchmark while preparing an integrated report. The framework identifies the following six capitals that companies should include in their reporting:

- Financial (i.e., the pool of funds),
- Manufactured (i.e., manufactured physical objects, not necessarily owned by the organization),
- Intellectual (i.e., organizational, knowledge-based intangibles),
- Human (i.e., peoples' competencies, capabilities and experience, and their motivations to innovate),
- Society and relationship (i.e., relationships within and between communities, groups of stakeholders and other networks, and the ability to share information to enhance individual and collective well-being), and
- Natural (i.e., renewable and non-renewable environmental resources and processes that provide goods or



services that support past, current or future prosperity of the company)

An integrated report includes eight Content Elements that are fundamentally linked to each other and are not mutually exclusive:

- Organizational overview and external environment: What does the organization do and what are the circumstances under which it operates?
- Governance: How does the organization's governance structure support its ability to create value in the short, medium and long term?
- Business model: What is

the organization's business model?

- Risks and opportunities: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term and how is the organization dealing with them?
- Strategy and resource allocation: Where does the organization want to go and how does it intend to get there?
- Performance: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?
- Outlook: What challenges and uncertainties the organization is likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?
- Basis of presentation: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?

This issue presents a good number of articles on the cover story theme 'Integrated Reporting & Business Sustainability' by distinguished experts and authors and an interview from industry stalwart. We look forward to constructive feedback from our readers on the articles and overall development of the journal. Please send your mails at editor@icmai.in. We thank all the contributors to this important issue and hope our readers enjoy the articles.