

Exclusive

Interview



Richard Howitt

CEO, International Integrated Reporting Council (IIRC) UK

ICMA Pakistan: What is the role of IIRC in promoting integrated reporting and what are its successes?

RH: The IIRC is the global authority on integrated reporting. We are market-led and evidence-based, acting as a global centre of excellence for corporate reporting. We are a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. This includes the likes of the World Economic Forum, the World Bank, Microsoft, Tata, and BlackRock. Together, these organizations have joined forces to promote communication about value creation as the next step in the evolution of corporate reporting. Our mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

In 2013, the IIRC published the International <IR> Framework, which was developed over many years as we piloted the concepts of integrated reporting with leading businesses and investors across the globe. Fast forward to 2018, and over 1,500 organizations in 64 countries across the world are using the principles of the <IR> Framework to support their reporting. We continue to support these businesses and work closely in markets internationally to remove any barriers to the advancement of better corporate reporting.

ICMA Pakistan: Why is integrated reporting so important in today's changing global business environment?

RH: The concept of integrated reporting emerged against a backdrop of concern borne of the uncertainty, instability and short termism that are prominent features of today's global economy. Integrated reporting catalyses powerful behavioural changes as a result of the active consideration of the resources and relationships that it uses and affects. It ensures a business is thinking about and managing its natural, human, intellectual, social and relationship capital alongside its financial and manufactured capital.

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The evidence demonstrates integrated reporting is a force for both financial stability and sustainable development. It supports long termism, better governance, enhanced decision making and capital allocation. Its adoption will be key in tackling volatile markets and in introducing low carbon, sustainable finance. I know that Pakistan is facing huge security and societal challenges which are being tackled through better education for the growing youth population and through building trade to alleviate poverty. In an economy focused on innovation and new technology, I believe integrated reporting can be a powerful tool to help solidify the changes Pakistan is starting to make.

ICMA Pakistan: How the concept of Integrated Reporting can ensure corporate accountability?

RH: We know that up to 80% of the value of a business is accounted for by intangible factors such as its intellectual property, productivity rates, brand and reputation. However, the requirements on business are still largely focused on disclosing financial metrics and performance.

The old saying goes, what gets measured gets managed, and that is what we are trying to install through integrated reporting. If a business is only talking to its investors and its stakeholders about financial measures, then there is a blind spot and a lack of rigour around the information that is actually crucial to the future of the business.

An integrated report enhances transparency, which is essential in building trust and resilience, by disclosing how key stakeholder needs and interests are taken into account and responded to. The Board are encouraged to take an active role in the development and sign off of an integrated report, forcing them to consider, discuss and take decision over a wider range of factors than ever before enhancing their corporate governance.

As a country looking to compete on the international market with businesses focused on getting multinationals to choose them as suppliers, accountability is key. Integrated reporting can give stakeholders confidence that you are running your business with robust accountability and with high regard to good governance and transparency.

ICMA Pakistan: How management accountants can help organizations in adopting IR framework?

RH: As the shape of the economy changes, the role of the accountancy profession is changing too. Today's accountants must be strategic leaders, able to develop strategies and to hold responsibility for financial management. These skills put them in the prime position to set the tone for an organization about

how they make decisions and to install a clear understanding of how the organization creates value over the short, medium and long term.

Integrated reporting brings closer alignment of areas such as finance, risk and performance. It helps abolish internal silos and understand risks and opportunities that may not have been considered before they started to use the <IR> Framework. Clearly, this means that integrated reporting goes further than just a report and management accountants can build a real role for themselves in ensuring the organization is living and breathing its commitment to integrated thinking and reporting. They should ensure that the Board has access to the right information, that the data and metrics collected are reliable, and that the report is understandable and accessible. As the role of a management accountant becomes increasingly diverse there are new and exciting opportunities for you to play a commanding role in how your business thinks, acts and communicates its story of value creation.

ICMA Pakistan: Can you share information as to how many countries and organizations have so far adopted IR framework?

RH: As I mentioned earlier, over 1,500 organizations of all shapes, sectors and sizes are now using the principles of integrated reporting in their reporting. This is happening in 64 countries around the world including all G20 and BRICS economies. We have seen real leadership in countries such as South Africa and Japan where integrated reporting is now

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mainstream as part of corporate governance reform. We are also seeing real interest in emerging economies such as Malaysia, Indonesia, the Philippines and Brazil. It is an exciting time in the world of integrated reporting and each year we are seeing new, innovative and impressive integrated reports published. But it is a journey, and we see businesses at every stage. What is important is that businesses are starting the journey and beginning to integrate their reporting so that they can effectively communicate with stakeholders.

ICMA Pakistan: How you see the implementation status of IR in listed companies in Pakistan?

RH: I am very positive about the developments towards integrated reporting in Pakistan, with the concept really sparking the imagination of some of the leading businesses in the country. Pakistan has a history for being at the front of reporting evolutions - the first country in the region to adopt IFRS and I have no doubt that this will stand them in good stead as integrated reporting becomes increasingly ingrained in the corporate reporting landscape.

Whilst we are undoubtedly in early days, I look forward to working with partners such as ICMA Pakistan to help businesses take the next step to integrated reporting. I encourage businesses to look to leaders such as Engro Corporation, which has been publishing an integrated report since 2014 and Pakistan State Oil Company which embarked on a path towards integrated thinking and reporting in 2016 for inspiration in their reporting.

ICMA Pakistan: IIRC and ICMA Pakistan can join hands to hold awareness seminars on IR in Pakistan? What do you say?

RH: I would like to put on record my thanks to ICMA Pakistan for their work in building understanding, sharing best practice,

and driving better corporate reporting. Integrated reporting may not hold all the answers, but it can most certainly play a very real role in supporting a journey to financial stability and sustainable development.

I look forward to working with ICMA Pakistan and our partners across Pakistan to take our message out there and support this new way of thinking, acting and reporting. Furthermore, the IIRC has a close relationship with the South Asian Federation of Accountants, which has been driving the adoption of integrated reporting across the region and we are in early discussions about opportunities to collaborate via a conference later this year to share insights with local businesses.

ICMA Pakistan: What message you would like to give to the professional accountants in Pakistan?

RH: Just get started! Integrated reporting may seem daunting, but from the thousands of conversations I have had with business leaders all over the world, getting started is without a doubt the most difficult part. By breaking down silos, creating a new understanding of value, and enhancing your relationships with stakeholders and providers of financial capital, integrated reporting can actually make the rest of your job more simple. There are networks that you can join to support you, for example the <IR> Business Network, or resources you can access at integratedreporting.org to help you tackle key issues.

I would also encourage you to visit the <IR> Examples Database to see some of the best practice and latest thinking to give you some ideas about how to approach your own report. We are here to help.

The Editorial Board thanks to Mr. Richard Howitt, CEO, International Integrated Reporting Council (IIRC) UK for giving his exclusive interview for Management Accountant Journal.