

Lynk-letter

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INTEGRATED REPORTING should it be considered?

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As environmental, social and governance issues continue to evolve as a top priority for investors and other stakeholders, companies need to determine how to set the course to stay ahead of increasing demands, rather than taking a reactive approach to reporting. Integration of ESG metrics into already existing financial reporting functions may be an effective solution. The financial reporting process focuses on the transparency of company performance. Transparency in the industry is an important vehicle for gaining public trust. Reporting provides insights into how a



company views itself, its employees and its role in the larger community. Companies who have effective ESG metrics already in place should highlight these to promote the quality of the organization's relationships with key stakeholders.

Integrated reporting utilizes an already existing platform to create an opportunity to capture and report on more detailed data about sustainability performance than what can be published on a website or in a PDF report. Integrated reporting can also be used as a management tool, as standardized reporting supports the ability to track progress from year to year. It also enhances comparability by providing the potential to assess performance against peers in the industry. Investors and company stakeholders want a clear outline of both financial and non-financial performance. Integrated reporting is a big step forward in meeting those demands.

According to **The Investor Revolution** by Robert G. Eccles and Svetlana Klimenko (HBR, May-June 2019 Issue), "one of the main obstacles today for many companies wishing to produce an integrated report is that their ESG information is rarely available at the same time and in a comparable format as financial information. Developing standards for ESG information, as GRI and SASB are doing, will be helpful here. But corporate leaders can also play a vital role in speeding the pace of change in three ways:

- (1) put these standards into practice in their external reporting
- (2) challenge the software vendors that provide financial information to extend into ESG metrics
- (3) press their audit firms to provide assurance on reported ESG performance, just as they do on financial performance

These are surmountable problems that must be solved to accommodate the changing focus of investors."