

**Integrated Reporting Breakthrough**  
**Strategic Investor Initiative CEO Investor Forum 4.0**  
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Companies are faced with an almost constant demand for information from investors and analysts, ratings and ranking agencies, regulators, NGOs, and other stakeholders.

Companies meet these demands by completing questionnaires and publishing reports such as 10-Ks, 10-Qs, and proxy statements, and sustainability reports, just to name a few.

In addition, documents such as privacy statements, governance guidelines, codes of conduct, and supplier policies can be found on corporate websites.

But... specific information about a company's long-term vision, strategy, and execution plans is harder to find.

The Strategic Investor Initiative's CEO Investor Forums are first steps towards moving from short-term and backwards-looking metrics buried in multiple reports to more focus on long-term term corporate viability.

A 2015 article, "The real business of business," by three McKinsey partners explored how an organization can achieve long-term viability. One point that has stuck with me is the authors' assertion that C-level executives must learn to focus on creating value not only for current shareholders, but also for future generations of shareholders.

Striving to create value for both today's and tomorrow's shareholders contributes to overcoming short-termism—a problem that brings us together today.

Solving the problem of short-term thinking requires several different approaches. The SII CEO Investor Forums, ESG integration projects by investors, activism by long-term shareholders, and research by academics, McKinsey, and FCLTGlobal are all steps in the right direction.

The concept of integrated reporting is also a response to short-termism.

An integrated report, at least as I define it, is a way to explain how a company balances the imperative for long-term viability—of the company and the world it relies on—with the demands for short-term competitiveness and profitability.

The first integrated report was published in 2002. The first US company to publish an integrated report was United Technologies in February 2009.

Unfortunately, integrated reporting has not been widely embraced by US companies. Today, 21 out of 4300 US companies listed on Nasdaq and the NYSE claim to be in various stages of integrated reporting. 21 out of 4300... that's less than ½ of 1%.

I searched for, but did not find, any published research on why US companies are not adopting integrated reporting. However, anecdotal evidence accumulated by me, and by my friend and coauthor, Bob Eccles, over the last 10 years or so suggests that perceptions about complexity, cost, and litigation risk are three major obstacles.

So, Bob and I decided to conduct an integrated reporting experiment. We explored two questions.

1. To what extent is the information needed to publish an integrated report already in the public domain?
2. If the information is available, then how difficult would it be build a mock integrated report from that information?

Our work process began with the selection of ExxonMobil as the company we would use for the experiment.

ExxonMobil was one the companies that we included in our December 2017 paper on the TCFD recommendations. That project gave us familiarity with the wide range of information that ExxonMobil provides through its public reporting and website.

From our TCFD project, Bob and I identified seven Exxon reports—10-K, proxy statement, citizenship report, carbon and energy summary, financial and operating review, executive compensation overview, and summary annual report. All were potential sources of information for our project.

Next, we referred to a map that I created in March 2017. This map matched the elements and principles of the <IR> Framework to FCLTGlobal's 10 elements of a long-term strategy.

The real work was using that map to organize the information culled from ExxonMobil's SEC filings, other reports, and their website. This was often a mind-numbing exercise; however, the result was more than worth the effort.

Here's what Bob and I learned from our experiment...

First, using publicly available information, we were able to construct a “decent” 40-page mock integrated report. Our integrated report covered the integrated reporting framework's Guiding Principles, Content Elements, and some but not all of the Capitals.

I want to emphasize that my use of the word “decent” to describe the report is meant to convey the fact that without oil and gas industry expertise or in-depth knowledge of ExxonMobil, there was no way that I could adequately capture and convey all of the information that should be in an excellent integrated report.

Second, we spent about 40 hours constructing, reviewing, and editing the report.

Now, consider this; if two guys with gray beards can create an integrated report from public information in less than 40 hours, then how hard and costly can the integrated reporting process really be? Let me be clear, this point isn't directed at any individual company, it's directed at all US publicly held companies.

Third, a more important finding is the fact that all information in the mock integrated report comes from documents in the public domain. This belies the concern that increased litigation risk might arise from the disclosures in an integrated report.

The result of our work is a paper, “Constructing ExxonMobil's First Integrated Report: An Experiment,” that has been uploaded to SSRN.com.

This is something that I hope is of interest to the SII and its network partners. In February 2018, the Investor Subcommittee of the SII Advisory Board published a letter to CEOs that outlined seven elements that should be in a CEO presentation of a company's long-term plan. Our mock integrated report touched on all of these elements.

Similar to my description of the mock integrated report as decent, I would say I did a decent job of touching on the seven points in the SII letter. Some points were covered well, while others were addressed in a superficial way at best. Again, any cross-functional corporate team would do a much better job than I did.

For our next step in this experiment, Bob and I are exploring the feasibility of creating an Integrated Report Generator Tool.

The tool would use machine learning and natural language processing to comb through public information to create a decent, not perfect, integrated report.

The purpose of the tool is to provide stakeholders with a way to create integrated reports. However, the real objective is to goad companies into publishing their own integrated reports.

If we can create this tool, then we hope to house it on a publicly available website that would be free to anyone.

The first book that Bob and I wrote, *One Report: Integrated Reporting for a Sustainable Strategy*, was published in March 2010. I was interviewed shortly after the book was released. The interviewer asked, “Why did you and Bob write this Book?” I responded, “Bob and I are children of the 60s, we’re still trying to change the world.” With that thought in mind, Bob and I hope our experiment becomes a catalyst for change.

We hope companies are inspired to create their own integrated reports to communicate their long-term vision and strategy. After all, the alternative is to let two old guys or artificial intelligence do a decent job for them.

We hope analysts and investors realize that they have a critical role to play in encouraging the use of integrated reporting to communicate long-term plans.

When you ask questions about a company’s long-term plans, you demonstrate that long-term thinking is important.

When you ask C-level executives the questions in the February 2018 Strategic Investor Initiative letter, you make a strong statement that the answers to those questions are critical to your decision-making.

And finally, if you—the investment community—demand business reporting that focuses on the long-term, then you make it clear that the concept of creating value for both current and future generations of shareholders is something that really matters to the capital markets and to society.