

# Integrated Reporting and Communicating Value

Finance and Sustainability

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EAUC Scotland Conference February 2017



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DATA SATISFY THE ANALYTICAL PART OF OUR BRAINS,  
BUT STORIES TOUCH OUR HEARTS.



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# Our Strategy

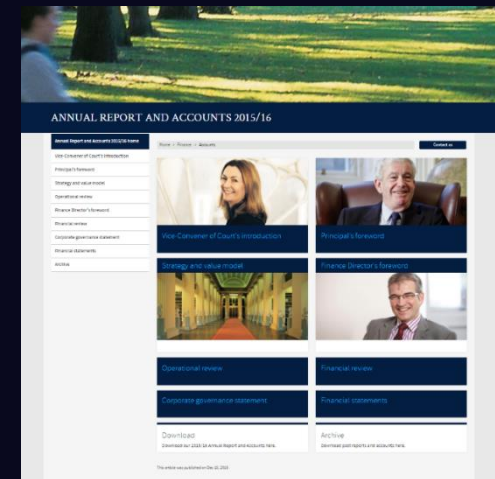
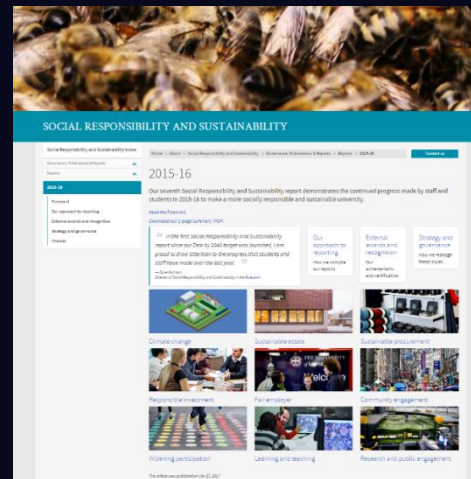


- The University's Strategic Plan outlines our vision of making a significant, sustainable and socially responsible contribution to the world
- Strategic objectives: leadership in research and teaching
- Key development themes: influencing globally, contributing locally, partnerships with industry and digital transformation

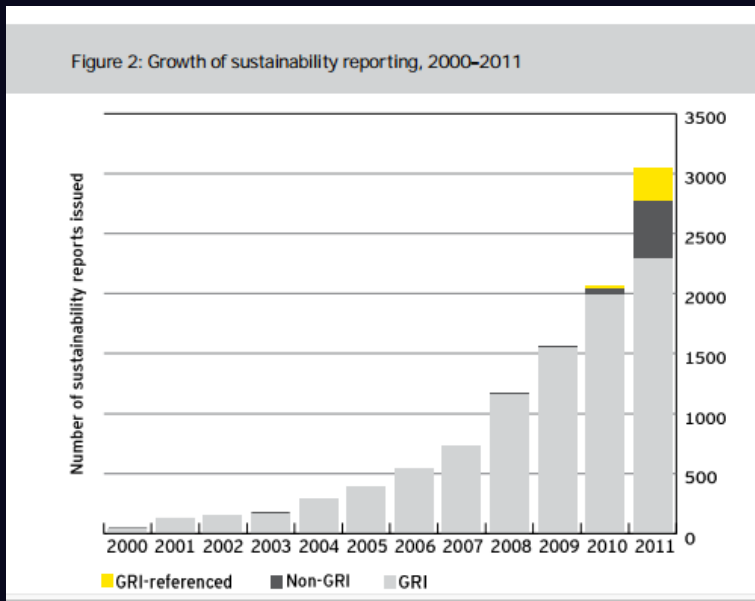


# Reporting and Transparency

- Annual Report and Accounts
- Sustainability Reporting
- Mandatory reporting
  - HESA returns
  - Scottish Government Carbon Reporting
- Stakeholder Expectations

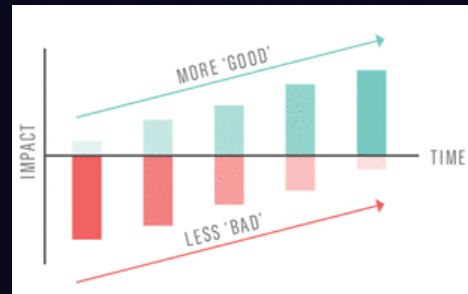


# Integration of Sustainability within Reporting



- 1980s: Environmental Reporting
- 1990s and 2000s: CSR and Sustainability Reports
- 1999: Global Reporting Initiative (GRI) first guidance
- Growth in sustainability reporting
- 2009: GRI indicators on Bloomberg terminals
- Investors calling for better information (disjoint between the CSR report and the Annual Report)

# Creating shared value. Net positive impacts.



Ikea's net positive approach is its 'licence to operate'

The Swedish flatpack company will install 10,000 more solar panels on its premises this year - and is selling them to the public too

- Natural capital eroding
- Inequality and poverty worsening
- Protect/restore natural capital
- Build social capital
- Innovation, partnerships, transparency, evidence

20 January 2017

**STRANGLED WITH A SCARF** Son of Nigerian government official murders £220-an-hour escort weeks after he arrived in the UK to go to university

20 January 2017

**PERV PROF SPARED** University lecturer walks free from jail despite admitting online sex chats with schoolkids as young as 13

08 January 2017



**BIPOLAR BARD** Academics at Glasgow University launch study to see if Robert Burns suffered from mental illness

15 December 2016



**HOPES SLASHED** Poor kids less likely to win uni place over richest as surging number of EU students get tax-payer funded loans

21 October 2016



**XMAS BONKBOT FEST** Christmas sex robot festival to be held at top London university

03 November 2016



**DYSON UNI PLANS** Sir James Dyson launches his own university to tackle shortage of 200,000 UK engineers



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# Why integrated Reporting ?

An Integrated Report can become a useful tool  
for a wider range of stakeholders  
to gain a deeper understanding of a university's  
performance, plans, and prospects.






**Integrated Reporting** is a process based on integrated thinking – the report is the physical output of this evolution in the way organisations think, plan and report on their organisation

Paul Druckman, CEO, IIRC

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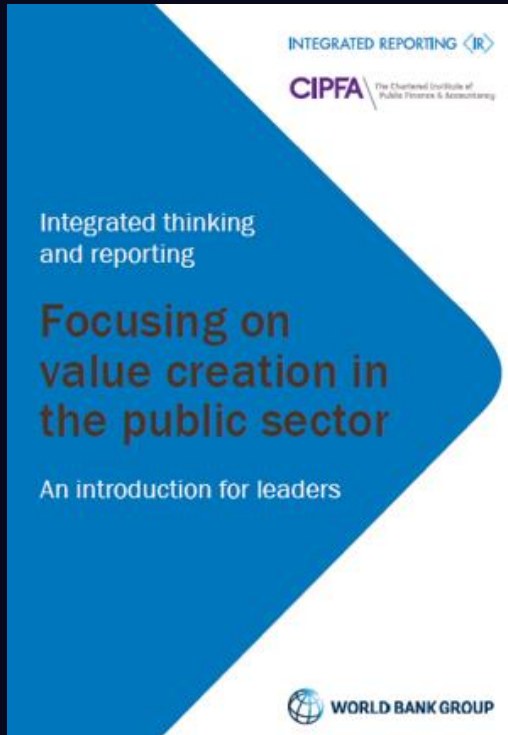


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# Integrated Reporting – starting with business



- 2009: investors, standard setters, companies, accounting bodies and UN representatives establish International Integrated Reporting Committee (IIRC) established
- 2011 – 2013 Framework development
- Communicate a clear, concise integrated story that explains how ALL resources are creating value



- Current annual reports only tell us a limited amount
- Integrated Reporting used to explain how an organisation manages the resources and relationships (or 'capitals') it uses or affects to create value over time
- Provides a framework to focus reporting on the entity's principal objectives
- Shows how the (often conflicting) needs of different stakeholder groups are being addressed and balanced



# Reporting: an evolving landscape



- Financial Reporting Standard 102 (FRS 102)
- British Universities Finance Directors Group
- Collaboration with other universities on review
- EU directive on disclosure of non-financial and diversity information by certain large entities
- Public Sector Climate Change Duties
- Modern slavery

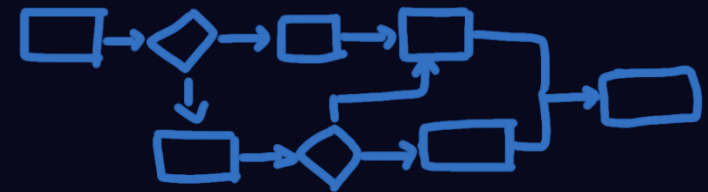
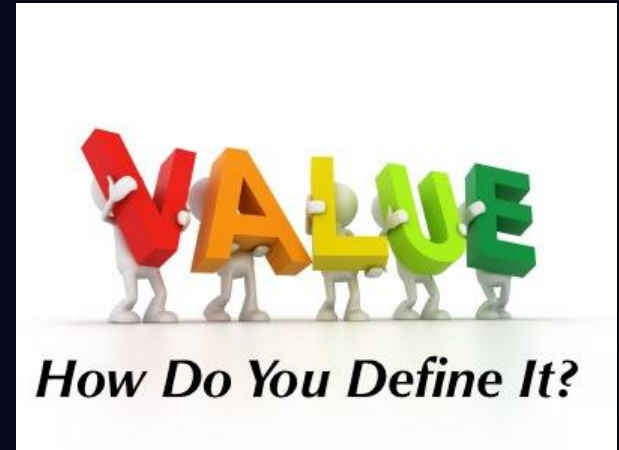
# 3 Fundamental Concepts

- Value Creation

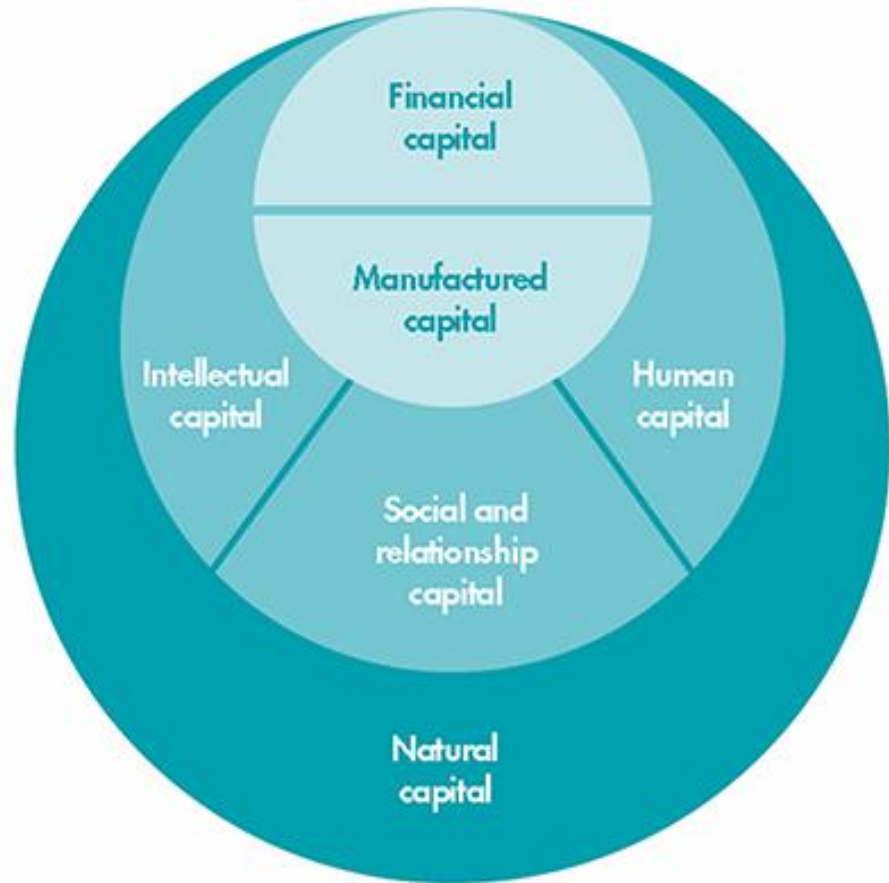


- The 6 Capitals


- The Value Creation Process



## The <IR> 6 capitals



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# 7 Guiding principles

- Strategic Focus, Future orientation
- Connectivity
- Stakeholder relationships
- Materiality
- Conciseness
- Reliability & Completeness
- Consistency & Comparability



# NATURAL CAPITAL NAVIGATION



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The Scottish Forum on Natural Capital has developed this signposting page to help you to access briefings, tools, resources & guidance to drive understanding of natural capital's importance for your organisation's board members and practitioners.

Click on the sections below to expand.

[Natural capital - Board level introduction](#)

[Natural capital - Detailed introduction](#)

## GET INVOLVED

[MEMBERSHIP SIGN UP](#)

[NATURAL CAPITAL NAVIGATION](#)

[ASK AN EXPERT](#)

[RESOURCES](#)

## NEWS & BLOG

[Event: Directing for Resilience: Using natural capital accounting in business](#)

[World Forum on Natural Capital jobs announced](#)

[2016 in Review](#)

[Seminar: An introduction to natural capital accounting at the local and landscape scale](#)

[Seminar: Next steps for enhancing natural capital and biodiversity in Scotland](#)

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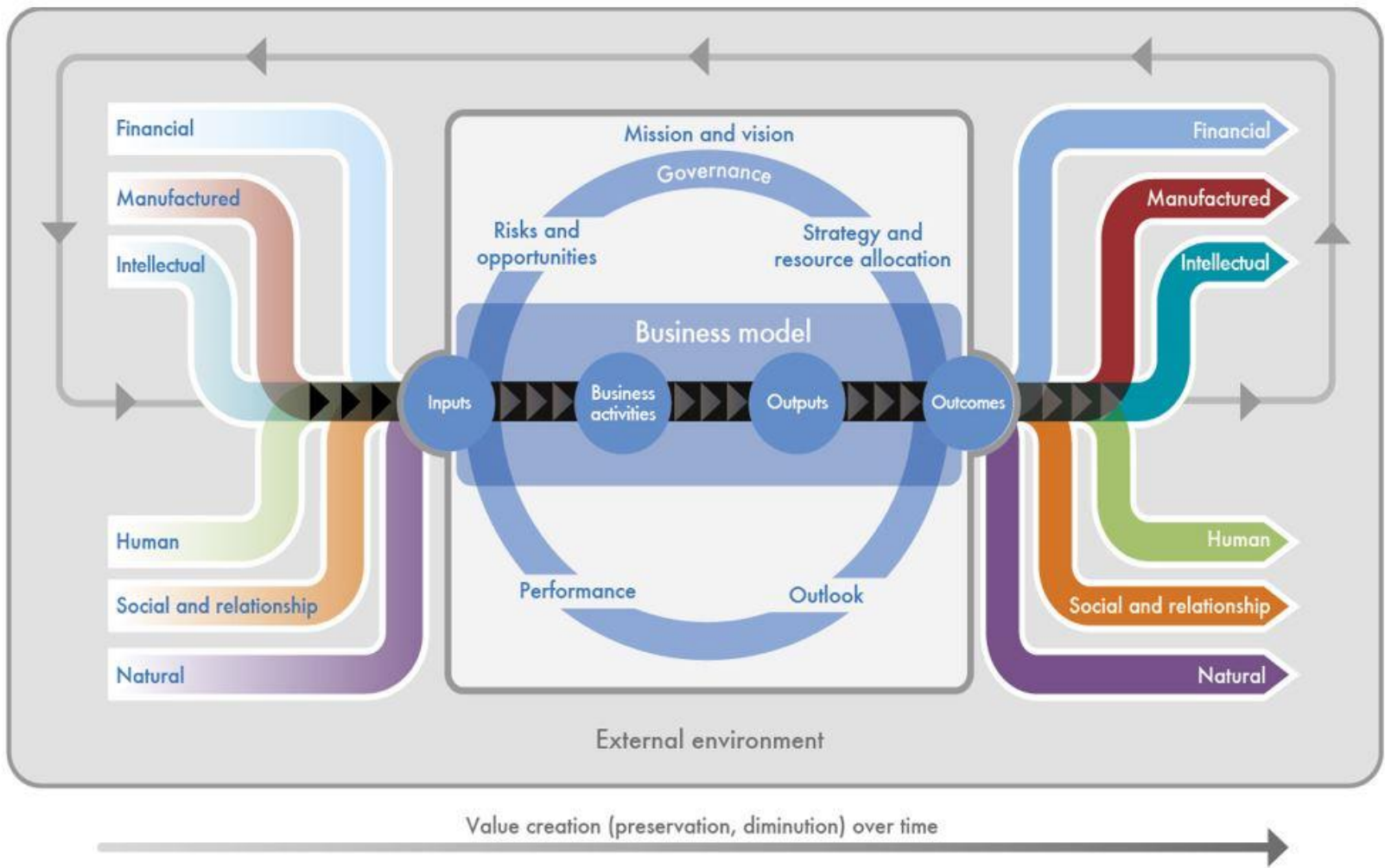
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# Create Value, Tell The Story

But <IR> is far more than just a reporting framework. It helps a company:

- **create value** – by better understanding and connecting the disparate sources and drivers of long-term value to enable better strategy formulation, decision making and implementation through their business model
- **tell the story** – of how value is created more effectively, both internally and externally, in a succinct way in order to win trust and secure reputation by encouraging better relationships with investors, employees and other stakeholders.




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# Integrated Reporting



# Integrated Thinking

integrated thinking is the **active consideration** by an organisation of the **relationships** between its various operating and functional units and the **capitals** that the organisation **uses or affects**.



integrated thinking leads to integrated **decision-making** and **actions** that consider the **creation of value** over the short, medium and long-term

# Business and Universities have shared goals....

~~Businesses~~ are the engines of value creation. It is through their global footprint and innovative capabilities that many of the challenges we face as a global society will be addressed. And they do this in the context of an increasingly interdependent, volatile, uncertain, complex and ambiguous business environment and one in which trust in ~~businesses~~ is low. If ~~businesses~~ are not making, and seen to be making, a positive contribution to the societies of which they are a part then they will lose trust and value as a result.




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<IR> is gaining traction...

1,000  
companies  
worldwide



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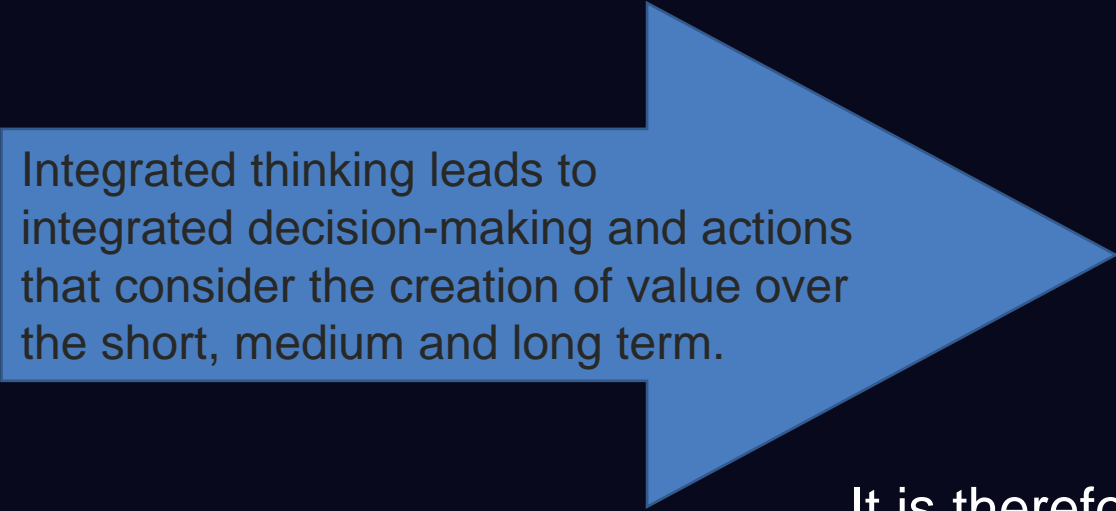
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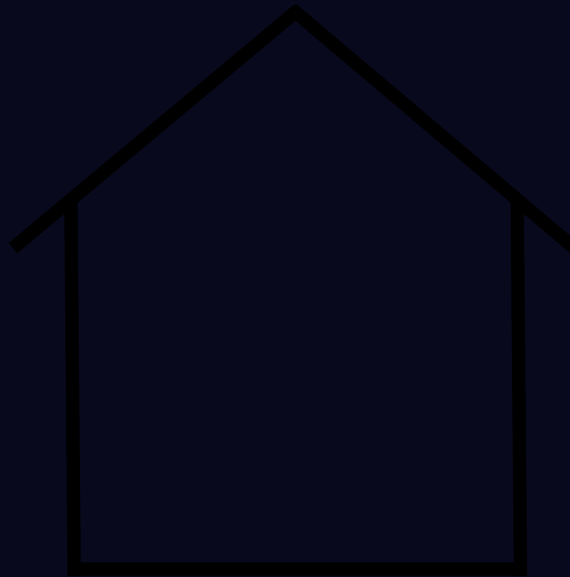
# Why is it essential to strategy?



Integrated thinking leads to integrated decision-making and actions that consider the creation of value over the short, medium and long term.

It is therefore essential to the development of strategy and provides a valuable connection to the board.





# PLACE



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# CHARACTERS



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**IN THE  
BEGINNING...**




**PREMISE**

**THE END**



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**IN THE  
BEGINNING...**

**PLOT**

**THE END**



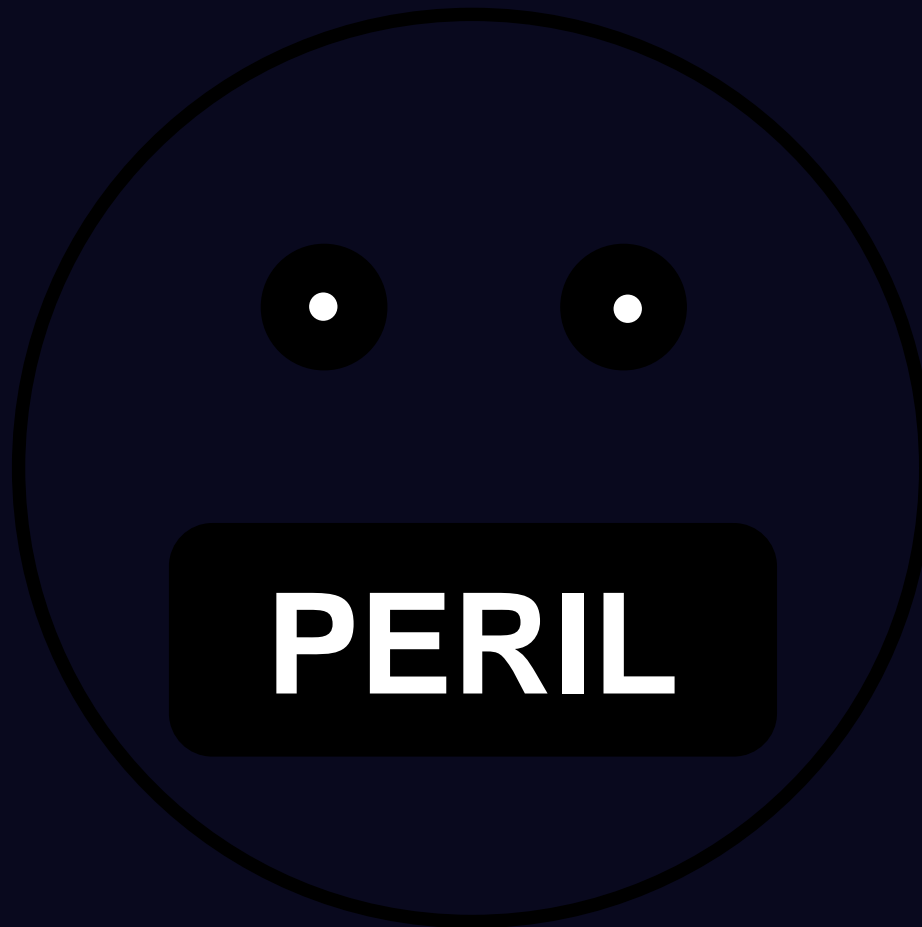
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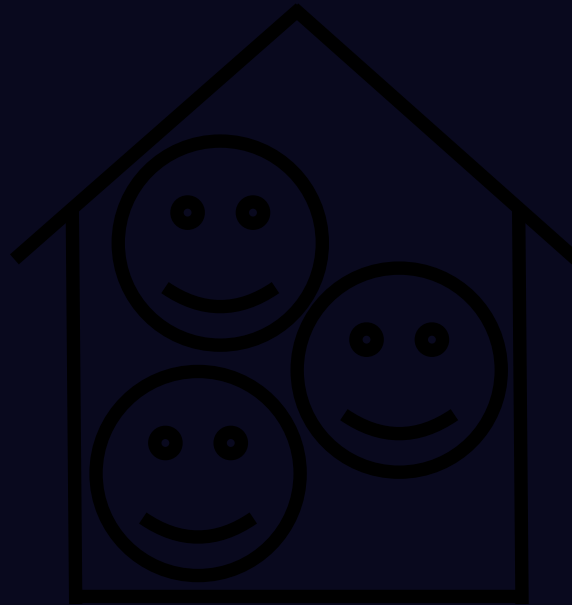
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# HAPPY



# ENDING



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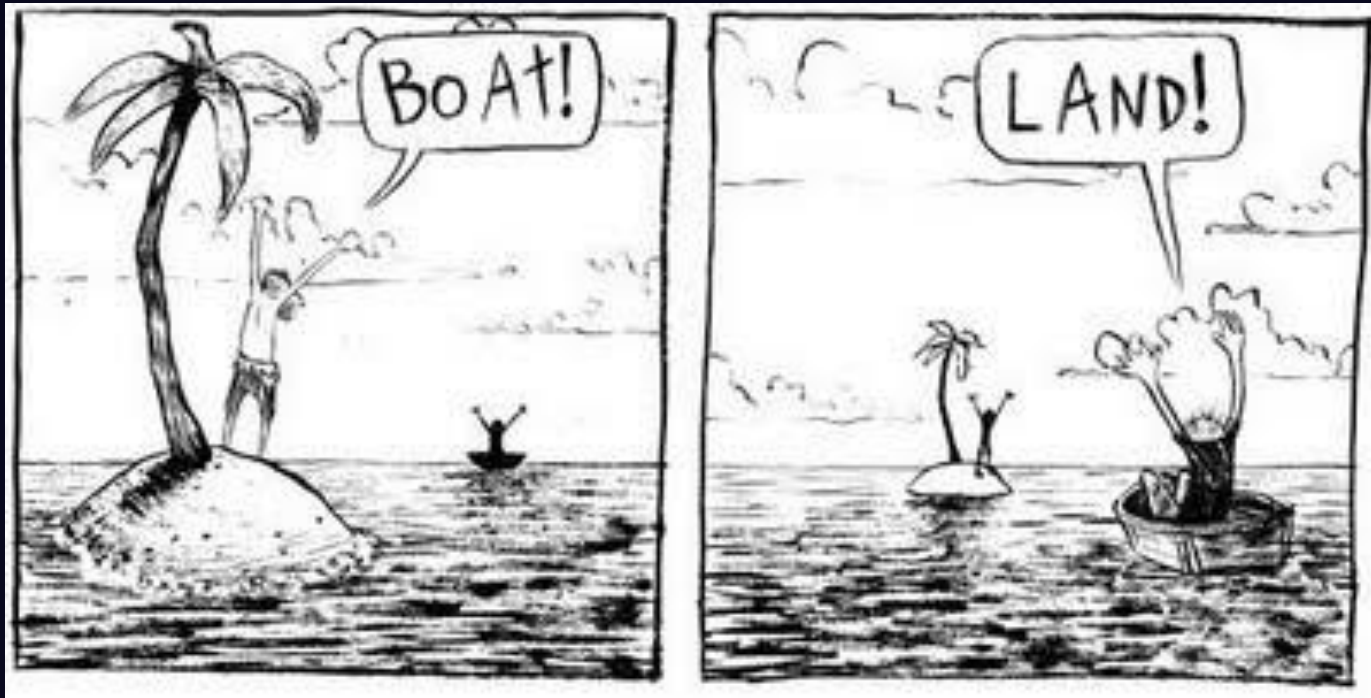


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# Contrasting views



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# What's your story?



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“Tell me the facts and I’ll learn. Tell me the truth and I’ll believe. But tell me a story and it will live in heart forever.”


Old Native American Proverb

# Telling your stories.....

Here are a few examples from Edinburgh’s annual report to get your started.....



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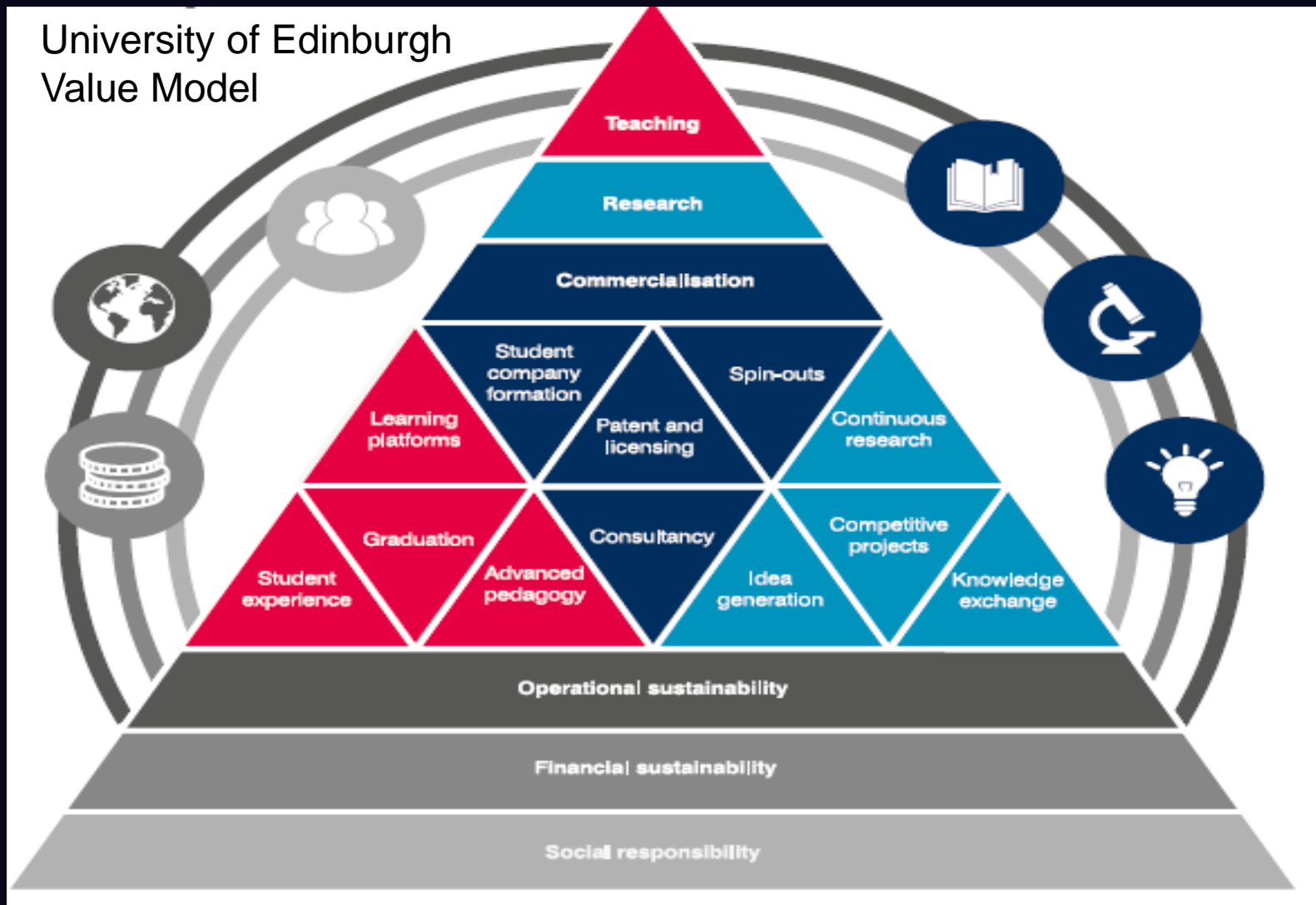
## Our vision

To recruit and develop the world's most promising students and most outstanding staff and be a truly global university benefiting society as a whole.





# University of Edinburgh Value Model





### Environmental

We drive through leadership on many environmental 'hot topics' including: better building design in our campuses; research through the Edinburgh Centre for Climate Change Institute; a new policy to screen out certain companies involved in fossil fuel exploration; and creating more efficient means of generating energy.



### Financial

The University must remain operationally robust and financially sustainable. We provide employment for more than 13,000 people and invest heavily in the support and development of our students. We generate cash flow to leverage funds from government, donors and from core academic institutions.



### Societal

We educate future citizens and leaders from across the world and our Global Academies drive engagement with Government and key individuals. Our research helps to solve global challenges and address societal and technological problems.



### Our value model

The University of Edinburgh has an established identity reflecting more than four centuries of success in educating its undergraduate and postgraduate students to high levels of attainment and conducting leading edge research. The University continues to contribute to finding ways of addressing and resolving major global challenges and in doing so creates value for society making a positive net impact locally and globally. We do this through our relationships with key stakeholders and the careful management of key societal, environmental and financial capital. As well as fulfilling our statutory responsibilities, we manage and examine these capitals in order to provide a lens through which we can further assess and report the extent to which we are creating value.

The academic work of the University can be summarised as the creation, dissemination and curation of knowledge. It comprises three interdependent streams of activity: teaching, research and commercialisation.

The value derived from these activities is expressed in our impact on societal needs and is reflected in our reputation, research awards and by student demand.



N/A Performance data not yet available    ↑ Increasing    ↓ Decreasing    ↔ Maintaining

Strategic goal	KPIs	Status
Excellence in education	Proportion of leavers achieving a successful outcome (degree, transfer or other award)	↔
Excellence in research	Russell Group market share of research income (spend)	↓
Excellence in innovation	Knowledge exchange metrics: number of disclosures, patents, licenses and new company formations	↓

Targets	Red/amber/green status
Increase student satisfaction with academic and pastoral support	G
Increase student satisfaction with opportunities and support for developing graduate attributes and employability	R
Increase average number of PhD students per member of academic staff to at least 2.5	R
Increase score for the citations-based measure in the THE World University Rankings to at least 94/100	G
Achieve at least 200 public policy impacts per annum	G
Increase economic impact, measured by GVA, by at least 8%	G



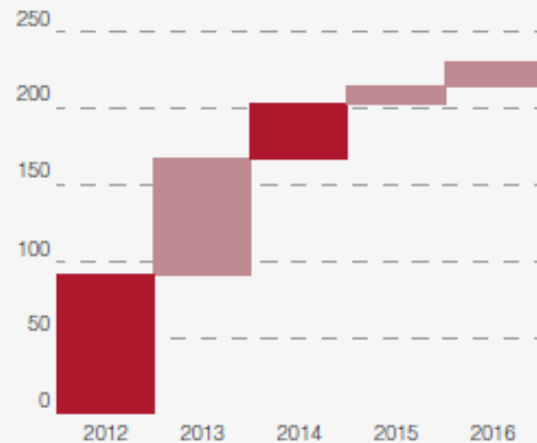
The University's approach is to minimise its exposure to reputational, compliance and financial risk, while accepting and encouraging an increased degree of risk in pursuit of its mission and objectives. It recognises that its appetite for risk varies according to the activity undertaken. Acceptance of risk is always subject to ensuring that potential benefits and risks are fully understood before developments are authorised, and that sensible measures to mitigate risk are established.

Our appetite for risk



We are particularly proud of the University's prestigious Chancellor's Fellows Scheme which is aimed at early career academics who have already begun to establish a reputation for top-quality research. The Fellowships help these individuals develop their research to the highest international standards while progressively training them in teaching and student development skills. Fellowships are for five years and subject to a successful end of year three review. We expect that the majority of Chancellor's Fellows will transition to an open-ended lectureship.

Chancellor's Fellows - appointments




Since the scheme began, Chancellor's Fellows have applied for more than 450 grants as Principal Investigator (PI), and more than three times this total as Co-Investigator (Co-I). Between them, they have gained total grants of £31 million as PI and £47 million as Co-I. They have also secured £29 million

### Social responsibility and sustainability

The Edinburgh Centre for Carbon Innovation (ECCI) was the 2016 winner in the collaboration category of the Guardian Sustainable Business Awards. The collaboration award is given to projects that break down traditional barriers and involve several partners working together in



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estate. We believe that the experience of being a student at the University of Edinburgh, from applicant to graduate, should prepare students for life beyond their studies and be the start of a lifelong relationship with us.

We were therefore disappointed with the results of the 2016 National Student Survey (NSS) which records final year undergraduate student feedback on their experience at UK higher education institutions. The University's results for overall satisfaction showed a drop from 84 per cent to 80 per cent reversing the upward trend from the previous year.

The student experience is a core strategic priority for the University, and we have put strong foundations in place to address the challenges that the NSS identifies. Over the last year we have

A balanced report also refers to bad news....





1

We will reduce our **emissions of carbon per £ million turnover by 50% from a 2007/8 baseline year by 2025**



2

We will return our carbon emissions to 2007/08 **baseline year levels by 2025**




3

We will become a net **zero carbon university by 2040**



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STORY TELLING  
IS ABOUT CONNECTING  
TO OTHER PEOPLE  
AND HELPING PEOPLE  
TO SEE WHAT  
**YOU SEE.**

-MICHAEL MARGOLIS

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# Questions?



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