



Press Release

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Rallying call issued to global businesses to join the growing ranks of companies backing enhanced reporting drive

The International Integrated Reporting Council (IIRC), a global coalition of investors, companies, regulators, standard setters and the accounting profession, has opened a 90-day consultation on a framework which it is hoped will enhance corporate reporting.

The IIRC's blueprint, released for consultation today, is intended to encourage a more cohesive approach to corporate reporting with a focus on how an organisation creates value in the short, medium and long term. The aim is also to enhance accountability and stewardship, and support integrated thinking and decision-making in the wake of traditional business models becoming increasingly obsolete. Companies are being urged to make sure they present more integrated information on how their strategy and critical decisions are made to underpin a higher level of investor confidence and trust, and put them in the best possible shape for the next decade.

Evidence suggests that a poorly defined and explained business model has adverse consequences. A PwC experiment with a small group of investors showed how their valuations are influenced by a company's reporting. 80% of investors recommended 'sell' when they didn't have any quantified non-financial information, but most recommended 'buy' when presented with more integrated information.

The majority (77%) of FTSE 350 companies report on their 'business model' and just over half of those companies provide insightful detail, a PwC analysis for its Building Public Trust activities found. However, only 8 out of 100 clearly connect their business model with their strategy, risks or other areas.

Slightly fewer European companies (54%) referred to their business model while more (85%) talk about future market trends. However only one in four draw the link to what that means for the strategic choices that they have made. That leaves the readers of accounts to make their own decisions on whether the business is responding effectively to the opportunities and risks faced.

Richard Sexton, PwC's global assurance leader elect, said:

"It is becoming increasingly clear that if companies provide a more cohesive view of their business it can improve their access to capital and resources. Companies with the best information to inform their decisions are also far



more likely to develop the right strategies and business models to succeed.

“In an environment where the public, investors, regulators politicians and commentators continue to challenge companies for failing to communicate effectively, there is also a trust issue at stake here. A less than coherent or partial view of a company’s performance and prospects can also undermine confidence in the business.”

The IIRC is seeking comment from a wide range of market participants on the draft of its International Integrated Reporting Framework.

The framework has been tested during development through a pilot programme involving over 85 companies and 50 investors around the world that provides further evidence that integrated reporting delivers benefits both for the organisation and for its stakeholders, including its investors. A survey of the pilot programme companies revealed that they believe integrated reporting provides a clearer view of the business model (95%), breaks down internal silos (93%) and increases board focus on exactly what the key performance indicators (KPIs) for the business should be (95%).

Dennis Nally, chairman of PwC International, added:

“Many global businesses and institutional investors are involved in the IIRC’s efforts to establish the framework. More can, and needs to, be done.

“Companies, investors and all others who value information that helps to demonstrate the sustainability of corporate business models should, as a minimum, contribute their views on the consultation draft framework.

“Integrated reporting can make a critical contribution towards financial stability. Companies that make their performance and prospects visible in a credible and well-structured way will avoid the risk that investors undervalue their organisation.”

The draft consultation can be accessed at:

<http://www.theiirc.org/consultationdraft2013/8291-2/>

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