

Transition to Integrated Reporting: A Guide to Getting Started

Thank you for joining. The session will begin at 3PM BST

September 20, 2021



**INTEGRATED
THINKING
PRINCIPLES**



**INTEGRATED
REPORTING
FRAMEWORK**



**SASB
STANDARDS**



Transition to Integrated Reporting: A Guide to Getting Started

Webinar | September 20, 2021





Jeremy Osborn
*Director of Business
Relationships & Networks*
Value Reporting Foundation



Speakers



Jeremy Osborn

*Director of Business
Relationships &
Networks*

**Value Reporting
Foundation**



Lisa French

*Chief Technical Officer
- <IR> Framework*

**Value Reporting
Foundation**



Cora Olsen

*Director of
Sustainability &
Regeneration*

Better Energy



Michael Gebbert

*Transformation
Accounting & Taxes*

EnBw



Agenda

Opening Remarks

Jeremy Osborn, *Director of Business Relationships & Networks*, **Value Reporting Foundation**

Overview of the Guide

Lisa French, *Chief Technical Officer - <IR> Framework*, **Value Reporting Foundation**

Top Tips for Implementing Integrated Reporting

Cora Olsen, *Director of Sustainability & Regeneration*, **Better Energy**; <IR> Framework Board Member

Case Study: EnBw

Michael Gebbert, *Transformation Accounting and Taxes*, **EnBw**; <IR> Framework Board Member

Q&A Panel Discussion

All speakers

Closing Remarks





Lisa French
Chief Technical Officer -
<IR> Framework
Value Reporting Foundation





Transition to integrated reporting: A guide to getting started

Lisa French, Chief Technical Officer



Transition to integrated reporting

Introducing the Value Reporting Foundation

- We are one global organization with a unified strategy and three principal resources:

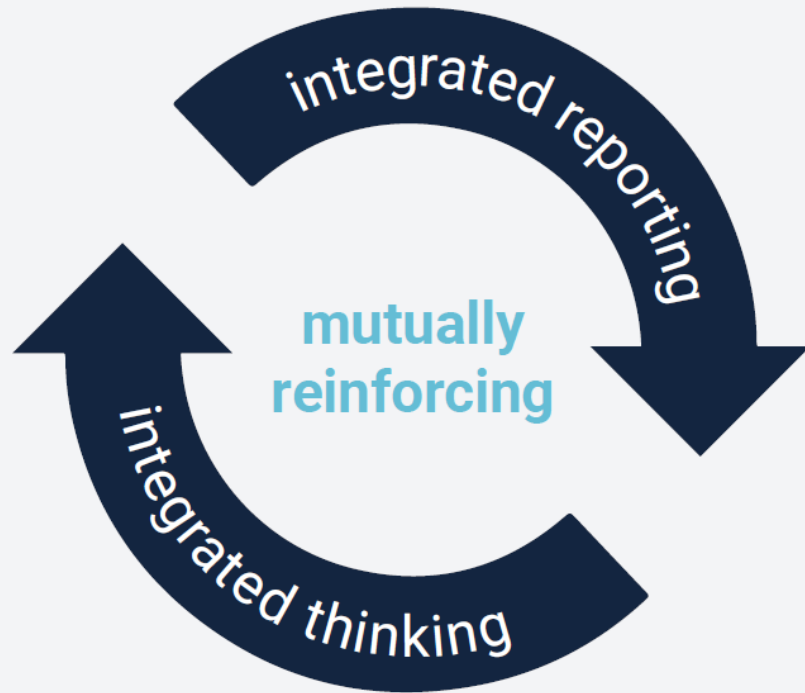


- We will advance a simplified corporate reporting landscape, bringing together our existing framework and standards

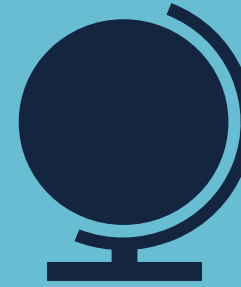


Transition to integrated reporting

Concise communication about value creation over time



 **INTEGRATED
REPORTING
FRAMEWORK**



75
countries



2,500+
organizations



40+
stock exchanges



Transition to integrated reporting



- Basics of integrated reporting
- Identifying the catalyst
- Setting the foundation
- From concept to implementation
- Sample roadmap
- Closing thoughts



Transition to integrated reporting

From concept to implementation: choosing your preferred vehicle

**Option
A**

Apply to internal reporting

**Option
D**

Create a new integrated report

**Option
B**

Modify an existing investor report

**Option
E**

Combine existing reports

**Option
C**

Adjust an existing non-investor report

Transition to integrated reporting

Sample roadmap

1	Getting organized	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2	Establishing a plan	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3	Identifying information needs	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4	Assessing systems and controls	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5	Preparing report content	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6	Improving the process	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>



Transition to integrated reporting

Establishing a plan – illustrative example

Year 1 focus

Nine requirements

- Form of report and relationship with other information (1.12)
- Materiality (3.17)
- Organizational overview and external environment (4.4)
- Business model (4.10)

Year 2 focus

Six additional requirements

- Governance (4.8)
- Risks and opportunities (4.24)
- Strategy and resource allocation (4.28)
- Performance (4.31)

Year 3 focus

Four additional requirements

- Outlook (4.35)

- Application of the <IR> Framework (1.17, 1.18) →
- Responsibility for the integrated report (1.20) →
- Reliability and completeness (3.39) →
- Basis of preparation and presentation (4.41) →
- Stakeholder relationships (3.10) →
- Strategic focus and future orientation (3.3) →
- Conciseness (3.36) →
- Consistency and comparability (3.54) →
- Connectivity of information (3.6) →

Transition to integrated reporting



Defining terms

Integrated reporting. A process founded on integrated thinking that results in a periodic integrated report by an organization about value creation, preservation or erosion over time and related communications regarding aspects of value creation, preservation or erosion.



Making the connection

In addition to driving year-round business decisions, information derived from stakeholder engagement also supports report preparation. In particular, stakeholder feedback can expose gaps between what your **organization** thinks is material and what **others** consider material.



Tip

To apply the Guiding Principle on **strategic focus and future orientation**, consider the following:

1. Does our strategy reflect key risks/opportunities?
2. Does our strategy maximize positive outcomes and avoid or minimize negative outcomes?
3. Does recent performance support our strategy?
4. Does our strategy suit the year ahead? Does our answer change if we look five or ten years ahead?



Reality check

3.8

The indicators in an integrated report should be consistent with those used by management and those charged with governance.



Cora Olsen

*Director of Sustainability &
Regeneration*

Better Energy

<IR> Framework Board Member





be

better energy

Top tips for implementing integrated reporting

Cora Olsen, director of sustainability & regeneration



Better Energy is a renewable energy company that creates new green energy

We develop, construct, operate and own renewable power plants that supply companies, cities and countries with green energy.

Our business model and integrated value chain are structured to deliver on our purpose. We take a lean and industrial approach to renewable energy deployment.

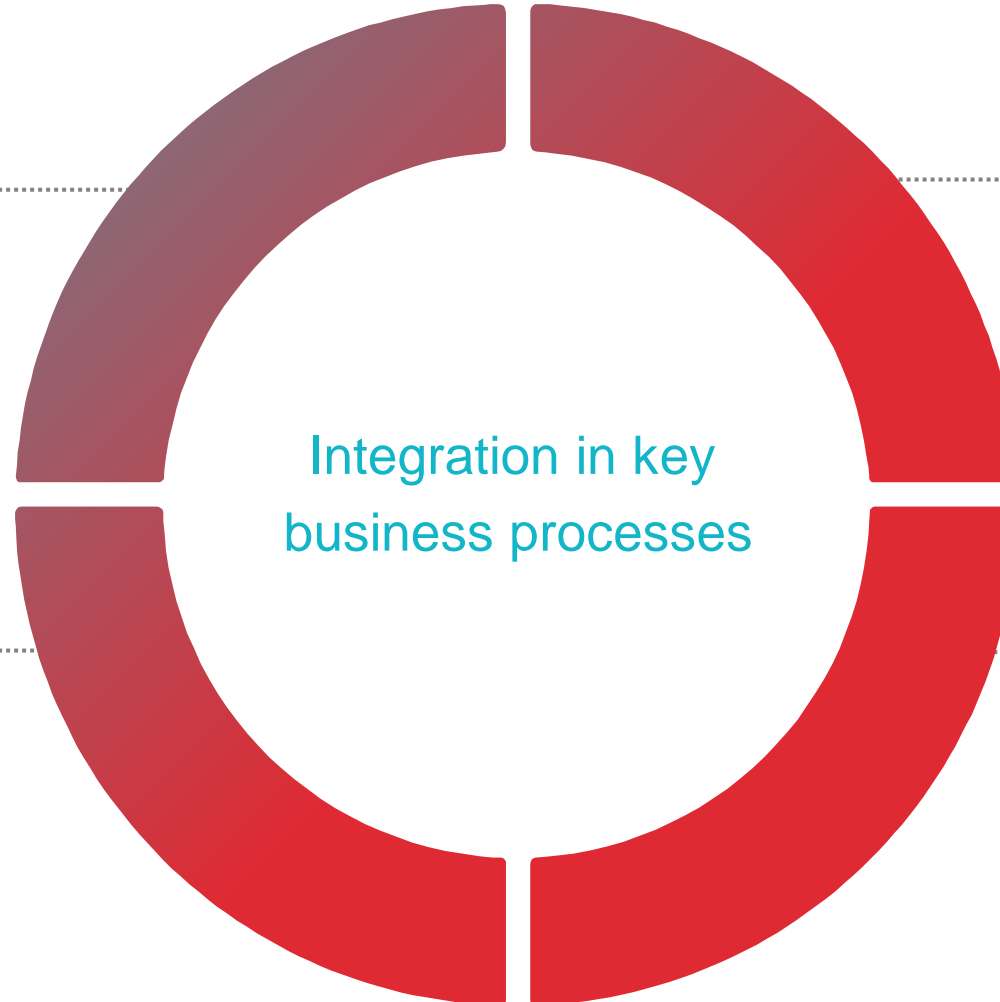


Stakeholders

- Trend spotting
- Stakeholder engagement
- Partnerships

Performance

- Balanced Scorecard or similar
- Personal performance goals
- Long-term incentive programme
- Quarterly management reporting
- External reporting



Governance

- Company by-laws
- Values-based management
 - Policies and strategies
 - Boards and Committee
- Annual strategy review by the Board of Directors

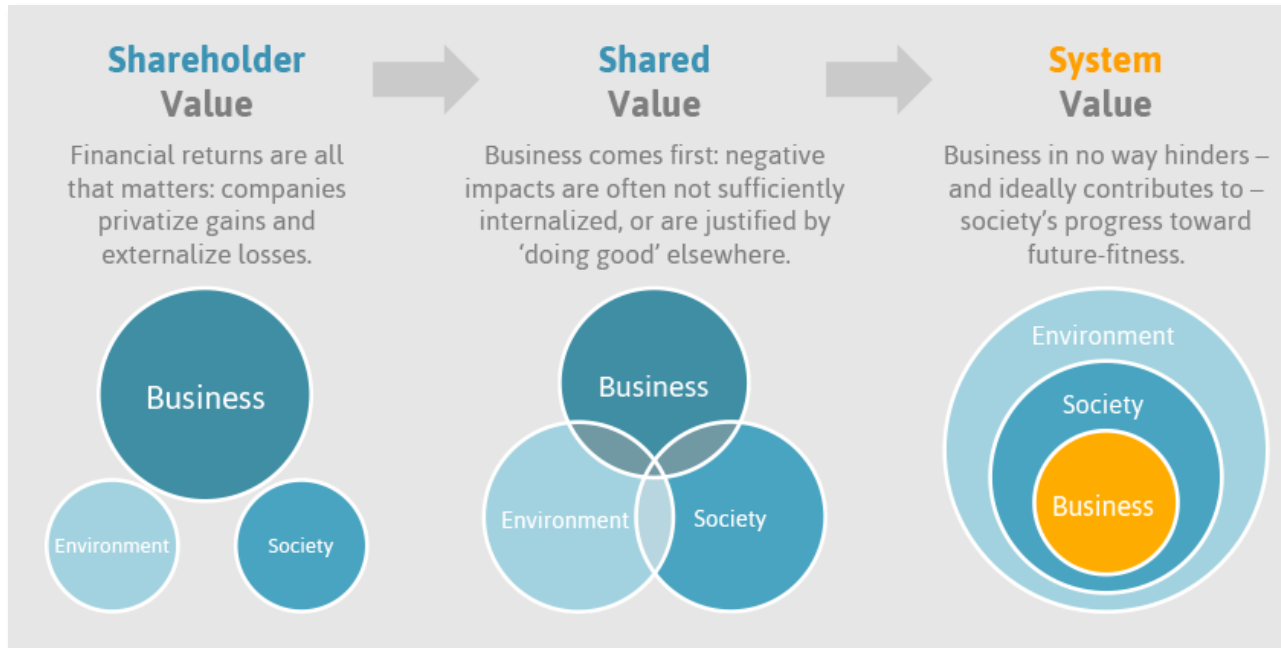
Aspirations & goals

- Strategic long-term targets and aspirations
- Specific short-term targets



Thoughts on thinking and management

Understanding value creation and destruction



- Language is important: focus must be on issues
- Applying a systems view to understand (Future-Fit Business Benchmark) value creation and erosion
 - negative impacts and positive impacts
 - the inter-connectedness of issues
- Understanding not just risks TO business, but also risks FROM business
- Change management is often incremental unless a crisis occur
- Changing culture, changing behavior is difficult and requires continuous top-down focus
- Overcoming short-termism
- A natural part of decision-making and actions





ESG vs. sustainability vs. positive impact/regeneration



Common ESG Goals

Reduce energy consumption

Reduce accident rate



Break-Even Goals

Energy is from renewable sources

Employee health is safeguarded



Positive Pursuits

More people have **access to energy**

More people are **healthy and safe from harm**



A mixed bag.....

- Conduct <IR> framework gap analysis and develop plan for closing gaps
- Identify and engage key internal stakeholders (opposers and fans)
- Conduct materiality assessment (Future-Fit Business Benchmark and SASB) to get a clear understanding of risk to and from business (value destruction/negative impacts and value creation/positive impacts)
- Understand, define and communicate short-, medium- and long-term value creation
- Focus on data quality – poor data quality = poor decision-making
- Push continuous improvement and business integration – moving target
- Understand value creation and value destruction – moving away from less bad performance to sustainable performance (systems perspective)
- Be realistic, be patient, be relentless, kick butt, repeat ☺





Thank you for your attention



Michael Gebbert

*Transformation Accounting &
Taxes*

EnBw

<IR> Framework Board Member



Integrated Reporting at EnBW »



VRF Launch of the Transition to Integrated Reporting Guide webinar
Michael Gebbert
Accounting, EnBW
September 20 2021

1 Who is EnBW?

2 Integrated Reporting @ EnBW-Where are we today?

3 Internal Implementation of IIRC (internal EnBW project 2012-2015)



1. EnBW – Who we are

From an energy company to an infrastructure partner



Transition from a conventional energy company to an innovative and sustainable infrastructure partner.

- » Production, trading and transmission of electricity, gas, water and heating for our customers
- » Growth as an infrastructure provider via
 - › broadband/telecommunications infrastructure
 - › charging infrastructure for e-mobility
 - › urban infrastructure
 - › security infrastructure
- » Transformation through the EnBW 2020 strategy (2013 to 2020)
- » Profitable growth thorough the EnBW 2025 strategy (2021 to 2025)
- » Sustainability is an integral part of our corporate strategy. Target: climate neutrality by 2035



1. EnBW – Who we are

Our strategic business fields



Smart infrastructure for customers

- › Sales of electricity and gas and billing services
- › Installation and sales of critical infrastructure such as broadband, charging and urban infrastructure



System critical infrastructure

- › Transmission of electricity, gas and water and the provision of grid-related services



Sustainable generation infrastructure

- › Generation of electricity from renewable energies
- › Generation of electricity from conventional power plants, generation of heating, storage of gas, electricity and gas trading and system services



1. Conversion of EnBW, from a classic energy company to a sustainable and innovative infrastructure partner



Strategy 2025 - Vision

"We are **makers and designers** of tomorrow's **infrastructure world** - **sustainable, innovative and reliable**"

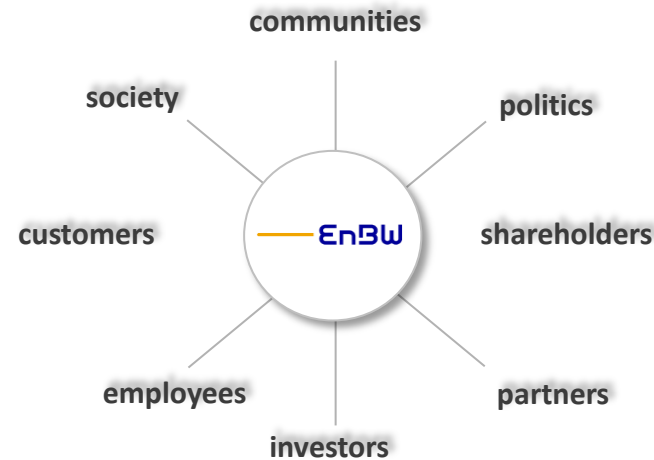


Our understanding of sustainability

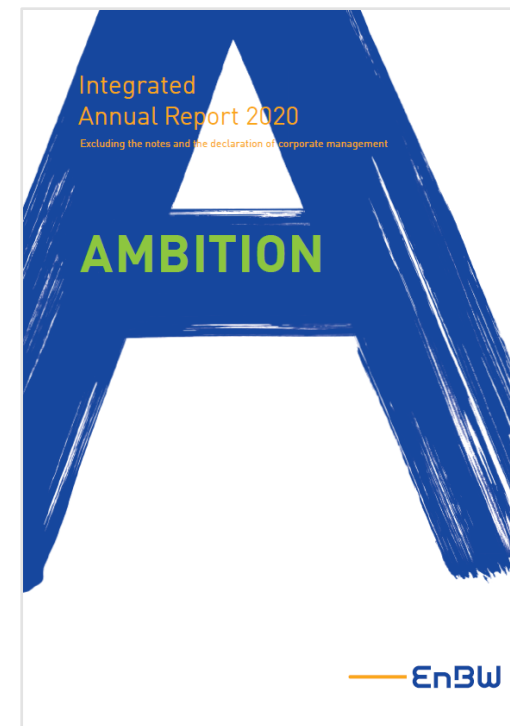
- Creation of **economic as well as ecological and social added value** for our customers, shareholders, employees, partners and society as a whole - today and in the future.
- "We associate **sustainable management** with the claim to **conduct all our business activities responsibly**"

2. EnBW's Integrated Reporting – Where are we today: Stakeholder Focus

Stakeholder Focus



7th Integrated Report



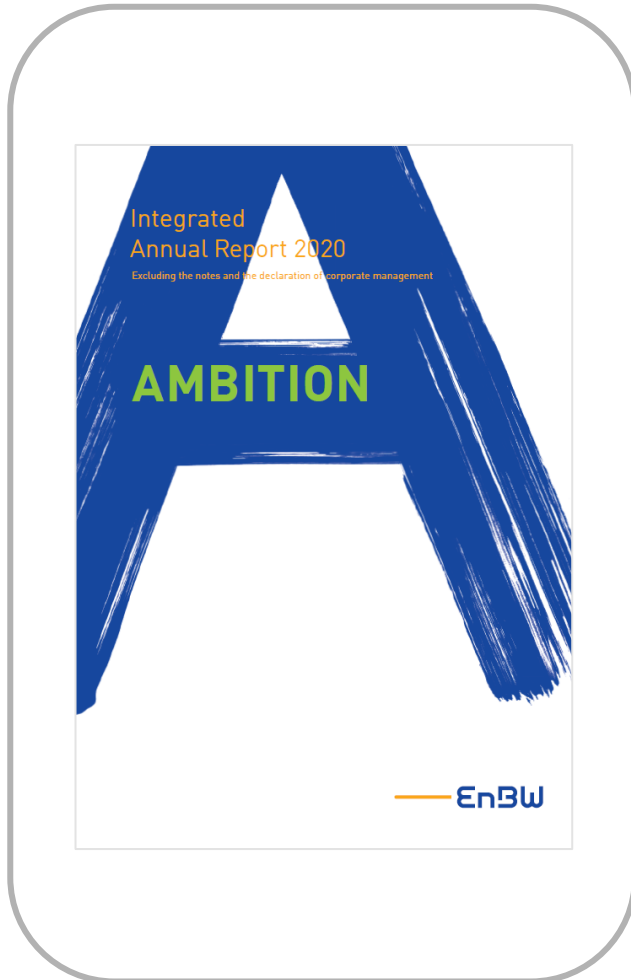
Integrated Annual Report 2020 of EnBW Management report 1 in dialog with our stakeholders 41

In dialog with our stakeholders

Selected activities in dialog with our stakeholders

Stakeholder	Opportunity for dialog	Main themes	Further information
Shareholders/capital market	Financial reports	Financial and non-financial performance of the company	www.enbw.com/financialpublications
	Virtual Annual General Meeting	Dialog with shareholders	http://www.enbw.com
Society	Discussions with analysts and investors	Corporate economic development, positioning on capital market	www.enbw.com/corporatefinancial www.enbw.com/investor-update
	Digital webinars	Corporate strategy at EnBW and current business situation	www.enbw.com/webinars
	Virtual events	Building connections to our electricity and gas suppliers, creation of projects, media support for our economy and charitable organizations, EnBW Food Truck	pages 27 and 47
Local authorities/public utilities	Stakeholder dialog	Comprehensive dialog with citizens in citizens' assemblies and "top of the hour" dialogues	www.den-neue-stadt.de
	Events by Jürges Stiftung	10th anniversary of the Energy Campus and networking meeting for climate protection approaches from across Germany	www.energie-klimatechnik.de www.juerges.de
	Founder motor masterclasses	EnBW provides special knowledge to support the development of startups	www.gruendermotor.de
Customers	German Innovation Prize	Awards for future-oriented innovations, EnBW as a partner of medium-sized companies	www.den-deutsche-innovationen.de www.enbw.com/deutsche-innovationen
	Virtual annual local authority program	Events in regional centers with mayors and administrative employees	
Employees	Corporate "100 conferences"	Informal discussions with public utility managers on impacts and measures	
	Participation in trade fairs and congresses	Energy & water Essen, Future Digital, UHT Forum Hamburg, Solutions Day Frankfurt, etc.	
	Participation in dialog and discussion with customers	Extension of the Energy Campus, inclusive participation in strategy dialog for the automotive industry in EVI, etc.	www.enbw.com/ev
Suppliers/business partners	Customer dialog, social media campaigns, newsletters, campaigns, podcasts and explanation videos	Information on new news, offers, services and events	www.enbw.com/ev www.enbw.com/hp www.enbw.com
	Dialog on energy costs and gas procurement responsibility	Investing content with the most important producers in Russia in a virtual dialog, membership of the European Initiative as a platform for dialog and exchanging information	page 168 www.enbw.com/procurement www.enbw.com/ev
Employees and applicants	Discussions and cooperation with suppliers	Central access to selected information and self-service portal via the supplier portal	www.enbw.com/supplier-portal
	Employee communication	#E20 on the road, trade fairs, events, EnBW road, social intranet, fanfare	
Political/media	Compliance Day	Virtual event with 100+ participants under the motto: "MaximumCompliance - It's up to YOU!"	page 44 www.enbw.com
	Directly engaged employees	Support for "Let's volunteer" initiative and the "Happier is Happier" social campaign	page 48 www.enbw.com/happier
Environmental associations	Opportunity for dialog with external employees	Company trips for school students, company concerts such as "Energy and IT", GreenEnergyWeek, GreenEnergyWeek, GreenEnergyWeek	page 47 www.enbw.com/ev
	Discussion events by the Energy & Climate Protection Foundation	Fit, climate dialogues in the form of e.g. climate protection, the coronavirus pandemic, hydrogen and renewable energies, as well as price dialog with various projects, including with energy and climate policy	page 47 www.enbw.com/ev
Environmental associations	Events and opportunities for dialog on energy policy themes	EnBW Energy and Business Club (EBC), network presentation of studies, discussion format and exchange of ideas with journalists from the German Bundestag and state parliaments	www.energie-klimatechnik.de
	Active and transparent communication in the media	Major articles in daily newspapers and magazines such as Spiegel and the social channel	www.enbw.com
Environmental associations	Digital office working for journalists	Regularly publishing program "Stimulus for Diversity"	page 48 www.enbw.com/biodiversity
	Green start-ups	Presenting awards to young startups for innovative ideas in the area of green technologies	www.energie-klimatechnik.de
Environmental associations	Virtual sustainability event	Information event on the themes such as "Grids and sustainability" and "Sustainable Finance"	

2. EnBW's integrated reports includes financial and non-financial key performance indicators and targets



Financial and non-financial key performance indicators and targets

Goal dimension	Goal	Key performance indicator	2020	Target for 2020	Target for 2025
Finance	Secure profitability	Adjusted EBITDA in € billion	2.8	2.3-2.5	3.2
	Managing the financial profile	Internal financing capability in %	102.8	≥ 100	- ¹
		Debt repayment potential in %	-	-	≥ 12 ¹
Increasing Group value	ROCE in %	6.3	8.5-11	6.5-8	
The EnBW Group, p. 63ff. Forecast, p. 97f. Report on opportunities and risks, p. 100ff. Multi-year overview, p. 142f.					
Customers and society	Share of result accounted for by "Customer proximity"/Sales	Share of overall adjusted EBITDA in € billion/in %	0.3/12.0	0.4/15.0	0.6 /20.0 (Smart infrastructure for customers ²)
		Share of result accounted for by Grids	Share of overall adjusted EBITDA in € billion/in %	1.3/48.8	1.0/40.0



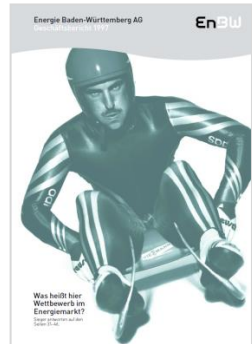
Non-financial key performance indicators and targets

Customers and society	Reputation	Reputation Index	56	55	58-62
	Customer proximity	EnBW/Yello Customer Satisfaction Index	132/159	> 136 / > 159	125-136/148-159
	Supply reliability	SAIDI (electricity) in min./year	15	< 25	< 20
The EnBW Group, p. 76ff. Forecast, p. 98f. Report on opportunities and risks, p. 103 Multi-year overview, p. 142f.					
Environment	Expand renewable energies (RE)	Installed output of RE in GW and the share of the generation capacity accounted for by RE in %	4.9/39.0	5.0 / > 40	6.5-7.5 / > 50 ³
	Climate protection	CO ₂ intensity in g/kWh ^{4,5}	372	-15% to -20% (reference year 2015: 606 g/kWh)	-15% to -30% ³ (reference year 2018)
The EnBW Group, p. 79ff. Forecast, p. 98f. Report on opportunities and risks, p. 104 Multi-year overview, p. 142f.					
Employees	Engagement of employees	People Engagement Index (PEI) ⁶	83	-	77-83 ⁷
	Occupational safety	LTIF for companies controlled by the Group ^{8,9}	2.1	≤ previous year's figure	2.1
		LTIF overall ⁸	3.6	-	3.5

3. Milestones in EnBW's Annual Corporate Reporting



Integrated Reporting @ EnBW



1997
First Financial Report



2003
First Sustainability Report



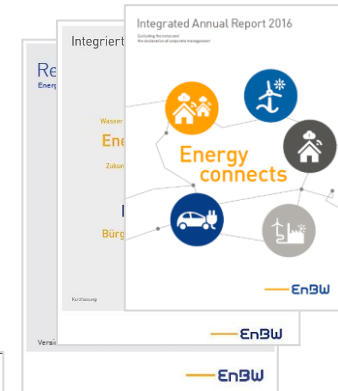
2008
First Innovation Report



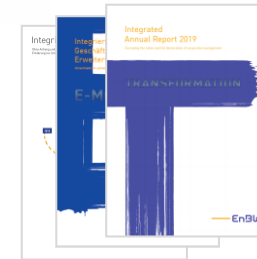
Up to 2011
Separate Publication of Financial and Sustainability Reports



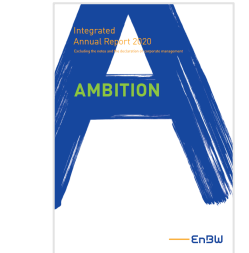
2012/2013
Combined Report



2014
First Integrated Report



Up to 2017
First inclusion of TCFD/NFRD



2020
EU Taxonomy



3. The way from financially oriented to integrated reporting




- The **financial crisis** of 2008/09 and the discussion about **climate change** in 2010s have shown that the traditional form of corporate reporting is no longer up to date.
- **Changing social attitudes/norms** lead to a change in expectations of corporate reporting



- Corporate reporting needs **new concepts beyond existing traditions and legal requirements**
- The concept of integrated reporting as a logical further development (rather an evolution, than revolution).

3. Our „EnBW Way“ to an integrated reporting Targets and Motivation of the EnBW Group project

1	New direction for the EnBW corporate reporting	<ul style="list-style-type: none"> Merging the corporate report and the sustainability report Publication of an integrated report for 2014 	
2	Sustainable aspects have a stronger relevance for the EnBW business model	<ul style="list-style-type: none"> Business and sustainability strategy are much more linked with each other Integration of sustainable aspects in the Performance Management System 	
3	Understandable and transparent corporate reporting	<ul style="list-style-type: none"> A more stakeholder oriented reporting From a compliance oriented and past oriented to a more future oriented reporting 	
4	Improvement of cross divisional cooperation	<ul style="list-style-type: none"> Intensive Involvement of different departments and delegation of project tasks Breaking silos/integrated thinking 	
5	Supporting the idea of integrated reporting in Germany and positioning EnBW as a pilot	<ul style="list-style-type: none"> Participation in the IIRC and national committees Organize Conferences and release Publications 	



3. EnBW's integrated reporting approach has been built on the framework of the International Integrated Reporting Council (IIRC)



INTEGRATED REPORTING FRAMEWORK

“Less is More“

Concise, transparent and meaningful reporting which fulfills today's information needs of all stakeholders.

Integrated
thinking

Integrated thinking leads to **integrated decision making** and is therefore a prerequisite for a shift towards Integrated Reporting.

Holistic
approach

Integrated Reporting shows the **comprehensive picture of a company** against the background of the economic, ecological and social context and connects financial and non-financial objectives.

Performance
Orientation

A company's strategy needs to be linked to financial and non-financial objectives, and their achievements should be measured by KPIs.

EnBW project organization for Integrated Reporting Project in 2012 – Connecting project-relevant departments



SPL: Subproject Lead

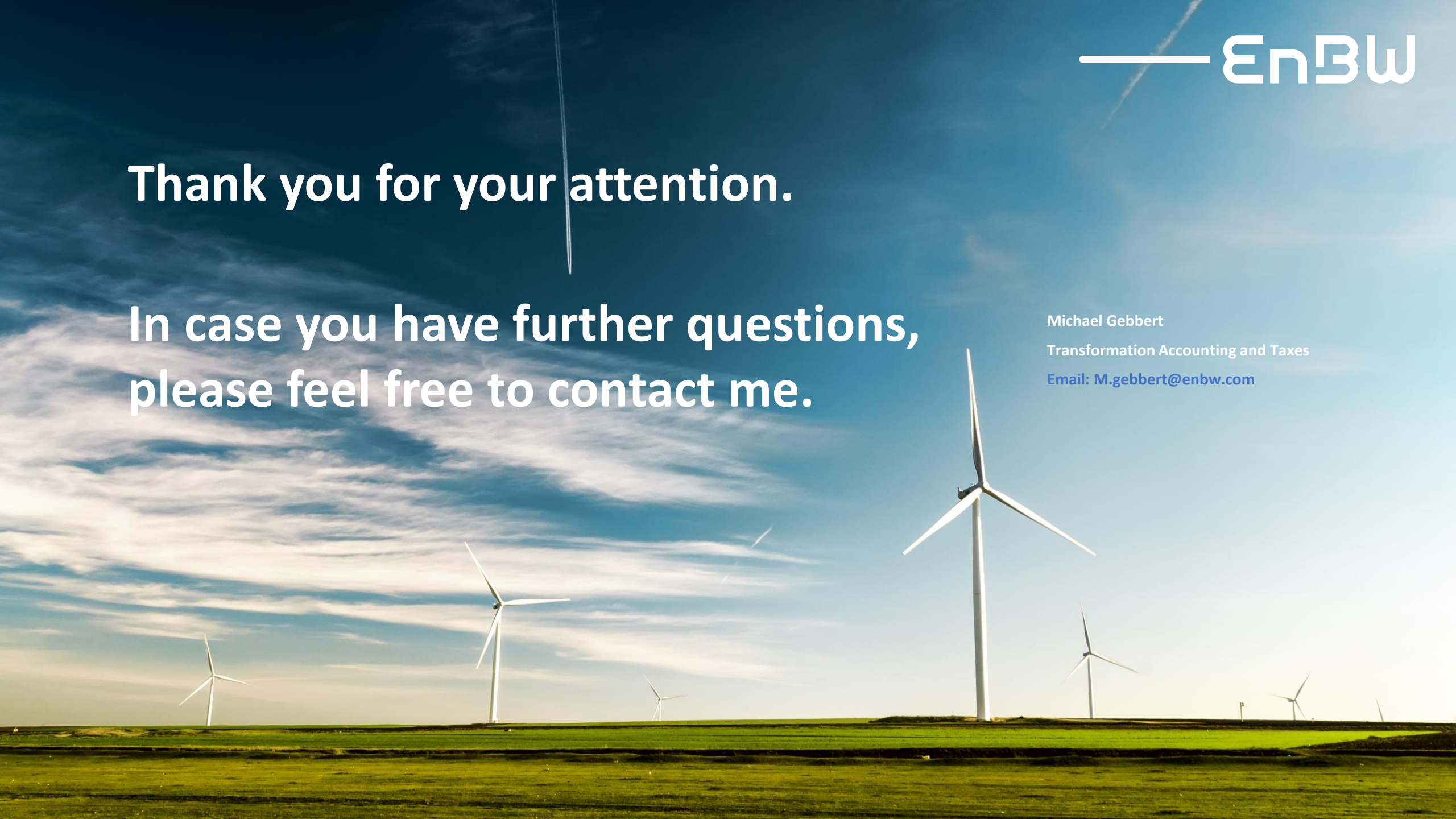
Thank you for your attention.

**In case you have further questions,
please feel free to contact me.**

Michael Gebbert

Transformation Accounting and Taxes

Email: M.gebbert@enbw.com



Q&A Panel Discussion:

Moderator



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EnBw



Thank you

