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Integrated Reporting: The Integrated Scoreboard (IS-FESG) and its XBRL Taxonomy

In line with the new trends in the development of corporate information this AECA *Pronouncement* presents a new step towards "integrated reporting". It is based on research conducted by AECA during the last five years and focused on both the standardization of environmental, social and corporate governance non-financial information and its treatment and dissemination through information technology tools.

XBRL taxonomies for Key Performance Indicators published in previous documents (General Indicators Scoreboard - CGI-RSC and Central Indicators Scoreboard - CCI-RSC), are the basis of the new Integrated Scoreboard (IS-FESG) presented in the *Pronouncement*. The IS-FESG offers business professionals a flexible tool to develop and analyze integrated corporate information. In this new scoreboard the financial dimension of corporate reporting integrates with environmental, social and corporate governance dimensions to provide a synthesized overview of corporate behavior (Financial, Environmental, Social and Governance - FESG). The IS-FESG indicators are interrelated at different levels with the strategic objectives and significant business risks of reporting organizations.

The principle of universality with which these XBRL taxonomies have been designed and the open technological standards used give the proposal of AECA democratizing spirit, both from the perspective of the developers of corporate information and from the perspective of anyone interested in a more cohesive understanding of business reality. Through the use of Internet XBRL applications and the XBRL reports repository established by AECA, any organization can develop and publish key performance indicators (KPI) and key risk indicators (KRI) reports, allowing its stakeholders to have free access to reliable information, enabling them to acquire a greater level of commitment with the organization (Stakeholder engagement).

This paper also proposes a blueprint for action to facilitate the gradual introduction of integrated reporting in the legal documents of organizations (for example, in the Management Report of publicly listed companies).

Constant communication with the International Integrated Reporting Council (IIRC) has allowed the authors of this *Pronouncement* to exchange information of great value and take part in the current development of a conceptual framework for integrated reporting and its implementation. For these reason, the structure of indicators and the ideas proposed by this AECA *Pronouncement* respond to the requirements outlined in the IIRC's Discussion Paper (2011).

ISBN: 978-84-15467-59-5
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AECA PRONOUNCEMENT

CORPORATE SOCIAL RESPONSIBILITY
No. 8

NEW TECHNOLOGIES AND ACCOUNTING
No. 10

ACCOUNTING PRINCIPLES AND STANDARDS
No. 28

Integrated Reporting: The Integrated Scoreboard (IS-FESG) and its XBRL Taxonomy

WITH THE SUPPORT OF:

BBVA

Spanish Association of Accounting
and Business Administration (AECA)

The Spanish Association of Accounting and Business Administration (AECA) *Pronouncements* reflect the findings of the association's Research Commissions about specific topics of professional interest. The Research Commissions are composed by experts from diverse industries and professional backgrounds, ensuring that their research processes are both rich in points of view and rigorous in their analysis. For these reasons *AECA Pronouncements* are generally accepted by business professionals and the general public as a reference in their field.

The first edition of this 'AECA Pronouncement' is open to the contributions of all AECA associates and any person interested in the discussed subjects

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ISBN: 978-84-15467-59-5
Depósito legal: 37918-2012
1st edition - September 2012

IMPORTANT: The charts in pages 70-71 and 88 to 92 can be downloaded from the following Internet address for better visualization:
http://www.aeca.es/IntegratedReportingProject/IS-FESG/KPIs_frames.pdf

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INTRODUCTION

In recent years, financial information published by companies and public organizations has reached a high degree of standardization through a solid (although in constant review) regulatory framework. Established and generally accepted accounting doctrine issued by the *International Financial Reporting Standards Foundation* has been adopted by many countries, all of which have adapted their legal and accounting frameworks. On the other hand, the possibility of unifying IFRS standards with those issued by the United States *Financial Accounting Standards Board* (FASB) in order to promote a global accounting framework is being considered.

Regarding the more recent phenomenon of non-financial information, it is less structured because its reporting is mainly in a voluntary basis. While executives, shareholders, media, and others acknowledge the importance of non-financial information in the field of Corporate Social Responsibility (CSR) or Sustainability Reporting, there are several factors which explain its limited impact. Among them we should emphasize a lack of standardization and the absence of a consortium or international regulatory institution similar to the organizations which standardize financial information.

However, the significant efforts made by different international organizations (including the GRI - *Global Reporting Initiative)* and national institutions (including AECA, the Spanish Association of Accounting and Business Administration), have resulted in proposals to standardize CSR information. They have been also accompanied by official actions in different countries (South Africa). This line of development should not forget the valuable and pioneering work of the *Jenkins Report and the Enhanced Business Reporting* (EBR).

With regard to the format in which financial information is presented, transmitted and processed, the final step for a proper standardization and automation process should consider the standard XBRL *(eXtensible Business Reporting Lan-*

guage), which is already applied to financial reports, in Spain and internationally, and which can also be applied to non-financial reports.

The growing need for standardized non-financial information in accordance with already standardized financial information has led to the development of what is known as *Integrated Reporting.* With its origin in the business practices of certain leading companies in the field of corporate information, this movement towards integrated reporting is described in the pioneering work *"One Report. Integrated Reporting for a Sustainable Strategy"* of Professor Robert G. Eccles and consultant Michael P. Krzus (2010).

In August 2010, the *International Integrated Reporting Committee* (IIRC) was created to address the growing demand of transparent and integrated financial and non-financial information and to respond to the consequences of the worst economic crisis of recent times. During 2009 institutions and individuals converged on the idea of founding an organization that fostered the development and implementation of *Integrated Reporting* at a global level. To this end the Prince of Wales hosted an international meeting with investors, standardization bodies, companies, accounting firms and representatives of the United Nations. In the meeting it was decided to launch a project led by *The Prince's Accounting for Sustainability Project* and the *Global Reporting Initiative* constituting, along with other institutions, a global organization to define a generally accepted framework on integrated reporting.

The Mission of the IIRC is stated in the following terms: "to create a generally accepted framework on corporate information that integrates financial, environmental, social and corporate governance information, in a clear, concise, consistent and comparable format." "Its main objective is to help develop comprehensive and understandable information about organizations, both prospective and retrospective, in order to meet the needs of a global and sustainable economy" *(www.theiirc.org).*

The IIRC understands that all listed companies must publish annually a financial report in agreement with, in the majority of cases, the *United States Generally Accepted Accounting Principles* (GAAP) or the *International Financial Reporting Standards* (IFRS). Increasingly companies are also developing voluntary corporate social responsibility or sustainability reports, but in this case there are large differences in terms of the relevance and quality of the information. The reason is clear: there are no global standards for measuring and reporting on environmental, social and corporate governance behavior. There is therefore a need to develop such global standards.

Finally, as Eccles and Krzus (2010) pointed out, financial and non financial information must undergo independent external verification: "integrated reporting requires an integrated audit to ensure that non-financial aspects have the same degree of accuracy, neatness and integrity as financial data and thus provide the same level of credibility as financial reports prepared for financial analysts". This

may result in the development of verification standards for non-financial information, or a proposal for integrating verification standards of non-financial information and technical financial audit standards.

1. Objectives of the Document

After five years of research on the standardization of non-financial information (environmental, social and corporate governance) and its implementation through information dissemination and analysis tools, AECA proposes in this document a new step towards integrated reporting in line with the new trends in corporate reporting.

The XBRL taxonomies presented as KPIs *(Key Performance Indicators)* in previous documents and organized through the General Scoreboard (GS - CSR) and the Central Scoreboard (CS-CSR) are the basis of the new taxonomy proposed for the Integrated Scoreboard (IS - FESG). They represent a digital format that allows the correct utilization of integrated corporate information. In this new Integrated Scoreboard, the financial dimension joins the other three dimensions (Financial, Environmental, Social and Governance) to provide an overview of the company's business behavior. Indicators are interrelated with both strategic objectives and relevant risks.

AECA's taxonomies have been created under the principles of universality and open technological standards with the spirit of democratizing enterprise information (from the perspective of both the developer and the user of information). The XBRL language and its Internet applications allow any company or organization to prepare and publish (through built-in Internet reports repositories like the one created by AECA) integrated reports of key indicators (key performance indicators – KPIs and key risk indicators - KRI). Stakeholders and individuals may have free access to reliable information, which enables them to acquire a commitment with the Organization *(stakeholder engagement)*.

This document also proposes lines of action to facilitate the gradual introduction of integrated reporting in companies' legal documents, as, for example, in the Management Commentary of listed companies.

AECA's permanent communication with the International Integrated Reporting Council (IIRC) has allowed both cooperation and information exchange of great value in the context of developing a conceptual framework and the implementation of organizational integrated reporting.

2. Structure

After a brief review of the current development of the standardization of financial and non-financial information some problems have been detected, especially in

the field of voluntary reporting of non-financial information. As a result, we conclude that there is a need to create new reporting frameworks.

Integrated Reporting is proposed in response to the detected problems. The development process is based on the development of a "window type" XBRL Taxonomy supported by existing taxonomies for financial (IFRS 2011) and non-financial (AECA 2010) reporting, considering also the best business practices in the implementation of the integrated report.

Finally, in order to build such taxonomies AECA proposes the use of the Integrated Scoreboard - Financial, Environmental, Social and Corporate Governance (IS-FESG). To establish its feasibility, the Scoreboard was applied for a group of Spanish listed companies that decided to take part in the pilot program of the IIRC in 2012.

3. Working Group and collaborations

The Working Group includes representatives of regulatory agencies, institutions, companies, financial analysts, and other experts in the field of corporate information (see composition of the Working Group at the beginning of this Document).

Members of three study commissions of AECA (Corporate Social Responsibility, New Technologies, and Accounting Standards and Principles Commissions) took part in the research process to assure the interdisciplinary character of the research. The final meeting to review the document took place under the supervision of AECA's President. It was the first of its kind in the history of the Association, representing milestone in its research activities.

Special mention deserves the support of a group of five companies which participated in the pilot program of the International Integrated Reporting Council – IIRC: BBVA, Enagas, Inditex, Indra and Telefónica. They supported and offered valuable insights during the discussion of the applied part of the document. The development of a test case for each one of these companies and the revision of the definitions of the IS-FESG indicators included managers responsible for different corporate information departments in each of these companies.

The Research Project on Integrated Reporting, of which this pronouncement is part, has enjoyed the economic and technical support of BBVA, a Spanish leading financial institution in the integrated reporting field.

The final document will be translated into English and submitted for consideration to the following groups of interest, among others:

- The IIRC-International Integrated Reporting Committee.
- XBRL International y XBRL Europe.
- National regulatory bodies (the Bank of Spain, Institute of Accounting and Accounts Auditing - ICAC and Spanish National Commision of Stock Market - CNMV) and international regulatory bodies (International Accounting

Standards Board, European Commission-Eurostat, and ESMA - European Securities and Markets Authority).

- National legislative institutions: Economy and Competitiveness Commission of the Congress of Deputies.
- Universities, business associations and professional associations.
- International experts, such as Professors Eccles and Krzus.

1
GENERAL FRAMEWORK FOR THE STANDARDIZATION OF CORPORATE INFORMATION. FINANCIAL AND NON-FINANCIAL REPORTING MODELS

1.1 STANDARDIZATION OF FINANCIAL INFORMATION: IASB, FASB AND SPANISH ACCOUNTING STANDARDS

The standardization of financial information, accelerated and strongly homogenized internationally since the second half of the 20th century, has reached some very important milestones. Particularly important is what has happened in the last forty years, since the establishment of the *International Accounting Standards Committee* (IASC) in 1973 (with representatives of France, Germany, Japan, Mexico, Netherlands, United Kingdom, Ireland, Australia, Canada, and United States).

Since that moment, some countries with a smaller economic weight around the world have adopted regulations issued by the International Accounting Standards Board (IASB). However it was not until the adoption of the IFRS by the European Union that the International Financial Reporting Standards (IFRS) became the international standards of reference. This took place through the issuance in 19 July 2002 of the Regulation (EC) No. 1606 / 2002 of the European Parliament and of the Council of Europe on the application of International Accounting Standards. European listed companies were required to comply with the EU regulation from 1 January 2005 onwards. Accounting standardization for large publicly listed companies has been followed but standardization of financial information for SMEs through the IFRS for SMEs standards, published in 2009.

It is also of high importance to mention the normative process established by the IASB, the *Due Process*[1], which consists of the following main steps:

1. Establishment of the agenda.
2. Planning of the project.
3. Preparation and publication of the discussion paper.
4. Development and publication of an exposition draft.
5. Preparation and publication of the standard.

The work developed by the *Financial Accounting Standards Board* (FASB) of the United States has proceeded in a similar way. The FASB is the organization designated by the *Securities and Exchange Commission* (SEC) to establish financial reporting standards for listed companies. Like the IASB it was created in 1973 and is a non-profit organization.

Traditionally, the main differences between IFRS and US GAAP have come from the difference in their overall approach. IFRS standards are structured as principles while US GAAP standards are based on more specific rules. A greater degree of convergence in recent years has led to joint FASB and IASB projects. Thus, in 2002 both signed the Norwalk Agreement, based on the convergence between the IFRS and the US GAAP, on the basis of a Memorandum of Understanding.

In relation to financial statements they include, as defined by the IASB[2]: statement of financial position, statement of cash flows, statement of profit or loss and other comprehensive income, a statement of changes in equity, and explanatory notes. The essential structure of the financial statements under US GAAP is similar.

Regarding the Spanish accounting standards, they are regulated by the General Accounting Plan and the General Accounting Plan for SMEs, both applicable from January 1, 2008. The structure of the financial statements has been mentioned a few lines above and the recognition and measurement criteria are harmonized with the IFRS.

1.1.1 THE PROBLEMS OF FINANCIAL INFORMATION AS AN INDICATOR OF THE COMPANY'S REALITY

Today, financial information offered to third parties (specially the annual financial report) represents the most important piece of corporate information. However, since long ago the annual financial report does not provide a complete picture of the value of the company. In addition there is a problem of reliability as the vast

1 Source: *http://www.ifrs.org/How+we+develop+standards/How+we+develop+standards.htm.*

2 See IAS 1 - *Presentation of financial statements* (2009).

majority of companies are not even forced by law to audit their accounting information (it should be noted that in Spain, for example, the percentage of companies that do not reach 250 workers in Spain is 99.88%).

On the other hand, the complexity of financial information should be considered. Quality standards are increasingly demanding and present two important timing problems:

- Preparation of financial information requires complex technical tools and an increasing effort on information collection (e.g. to determine the fair value).
- There is doubt on whether the end user is ready to understand financial statements in their current form.

As Larrán and García-Meca (2004) explained, there is a need for additional information to report the sources of value and economic wealth in order to estimate the real value of a company. Subjects such as leadership, brand image, changes in the environment or environmental information, etc., should be analyzed in order to achieve greater transparency. However, voluntary disclosure will ultimately depend on the perception of management on the cost/benefit relation of such disclosure.

1.2 Non-financial information: definition, components and models

In a simple way, we can say that non-financial information is everything that is not financial information. Eccles and Krzus (2011) point out that non-financial information is a broad term applicable to all information for shareholders and other *stakeholders* that is not defined by an accounting standard or a calculation based on an accounting standard. For these authors, there is no generally accepted definition of the term non-financial information although it is used more and more and in very different ways. Commonly used expressions include "environment, society and government", "sustainability" or "responsible investment".

In the *Discussion Paper* issued by the IIRC (2011), non-financial information is linked to reporting on sustainability, corporate governance and compensation of the administrative bodies, and also to the management commentary. In the section devoted to achievements in terms corporate reporting, the IIRC especially recognizes the work of a number of organizations, highlighting the name of twelve of them, among which we can find *The Prince's Accounting for Sustainability Project* (A4S), *Global Reporting Initiative* (GRI) and the *European Federation of Financial Analysts* (EFAA). Finally, the attempt to standardize the content and structure of these reports in a series of publications issued by the IASB, the GRI and the *International Auditing and Assurance Standards Board* (IAASB) was recognized in 2010 and 2011. Other documents that should be noted are the *Practice Statement on Management Commentary,* the open-debate document for the South Africa Inte-

grated Reporting Committee (IRC), the Conceptual Framework for Integrated Reporting, the *G3.1 - Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI)* and its current project for the development of a fourth generation of guidelines between the years 2012 and 2013, and the IAASB discussion document *"The Evolving Nature of Financial Reporting: Disclosure and Its Audit Implications"*.

Of all subjects of non-financial information, the one devoted to corporate governance and compensation has been given a greater degree of standardization and normalization. Although the first standards started to emerge in the early 1970s, it was not until the last decade of the 20th century that this issue gained prominence, with the appearance of the reports from Cadbury, in the United Kingdom, and COSO *(Committee of Sponsoring Organizations of the Treadway Commission),* in the United States.

As mentioned in the *Green Paper on Corporate Governance* of the EU (2011), "corporate governance is usually defined as the system through which companies are managed and controlled and as a series of relationships between the managers of a company, its Board of Directors, its shareholders and other stakeholders." Rules of corporate governance that apply to EU listed companies combine legislation and non-binding (soft law) rules which include recommendations and codes of corporate governance.

It was the Enron scandal in 2001 that changed the landscape of corporate governance around the world. Prior to that date, standards were given by supervisors or regulators of the securities markets. Then, in 2002, new regulation appeared, such as the Sarbanes-Oxley Act in the United States or, at a local level, the *Law 44/2002 on the Measures for the Reform of the Financial System* in Spain.

In relation to Corporate Social Responsibility (CSR) reporting, in which we could include non-financial information about social and environmental aspects, the situation is more complex and dispersed. There are three interesting points to be highlighted, expressed in AECA's Corporate Social Responsibility Commission Pronouncement No. 7 (2010):

- There is a large number of guidelines to prepare CSR and sustainability reports;
- Each country's culture influences CSR reporting practices;
- There is a varying degree of State intervention, which can be divided in three levels: compulsory reporting (France, United States, Canada, Holland, Sweden, Denmark and Belgium, among others); self-regulating reporting (e.g., South Africa) and volunteer reporting.

The biggest current weakness of CSR reporting is its diversity and its lack of unifying criteria at an international level. A mandatory regulation for standardized financial and non-financial information from all companies would be desirable. The three non-binding standards which have had the greatest influence, from an institutional point of view, on CSR reporting have been the *United Nations Global*

Compact, the Conventions of the International Labor Organization (ILO) and the OECD guidelines. The European Union has also issued several statements and recommendations on CSR and sustainable development, as the *European Strategy for Sustainable Development* (2001), and the *Green Paper on Promoting a European Framework for CSR* (2001). With respect to other organizations of private character that have also had an important influence on enterprises, we will mainly refer to *AccountAbility* and the Global Reporting Initiative (GRI). *AccountAbility* is a global non-profit whose purpose is to promote innovations in accountability that foster sustainable development. The network works with businesses, Governments and civil society organizations to advance responsible practices in business and management through the cooperation of public and private institutions. To date, it has issued three guidelines:

- AA1000APS (2008): *AccountAbility Principles Standard.*
- AA1000AS (2008): *Sustainability Assurance Standard.*
- AA1000SES (2005): *Stakeholder Engagement Standard* (revised in 2011).

The GRI is an organization formed by a plural and extensive network of *stakeholders* including business organizations, NGOs, universities, etc. that, structured through thematic and industry working groups, develop guidelines to promote a conceptual framework that allows the continuous improvement of sustainability reporting. These standards are based on a conceptual framework that includes a set of principles and indicators that organizations must use to measure and report on the economic, social and environmental areas of their performance *(triple bottom line).*

1.3 First initiatives on the review of corporate information models

1.3.1 THE JENKINS REPORT

One of the most interesting attempts to improve accounting information comes from *Improving Business Reporting - A Customer Focus,* commonly referred to as *The Jenkins Report,* issued in December 1994. The motivation of the Jenkins report was to address a general dissatisfaction with the model of financial information. As García Olmedo (1999) quoting the author himself points out, the key points of the Jenkins report are:

1. Accounting information is a key piece in the allocation of economic resources. It plays a decisive role in the allocation of financial capital in free markets.
2. To meet the changing needs of information users, business reports must: (a) provide more information about projects, opportunities, risks and uncer-

tainties; (b) focus on factors that create long-term value, including non-financial measures of outputs and performances; (and c) improve external information for stakeholders and provide internal reports to be used by the management.

3. Users consider essential the involvement of Auditors in the reports, since these professionals have access to forbidden third-party data.
4. Information has a cost and it has to be analyzed under a cost/benefit criterion. The Committee adopted a flexible attitude, proposing aspects that users considered useful but, at the same time, reducing some information with significant costs.
5. Developers of business reporting must anticipate changes, developing a comprehensive model covering all the information that users demand and adopting a long-term approach with a vision on the future of the business and new information needs.
6. The legal framework prevents companies from making predictions for fear of possible lawsuits. You must deploy legal mechanisms to deter lawsuits without a consistent base.

However, the Committee's recommendations were not implemented[3]. This and the Enron financial scandal at the beginning of the 2000's decade led to the creation in the United States of the Enhanced Business Reporting Consortium (EBRC) in 2002.

1.3.2 ENHANCED BUSINESS REPORTING (EBR)

In January 2003, the American Institute of Certified Public Accountants (AICPA), established the Special Committee on Enhanced Business Reporting to take action over initiatives that had fallen into oblivion, as the Jenkins report. The Committee concluded its work in 2005 having brought together a consortium of investors, creditors, regulators, managers and other stakeholders to improve the quality and transparency of the information used for business decision-making[4]. Thus was born the Enhanced Business Reporting Consortium (EBRC).

The *Enhanced Business Reporting Framework* was published in October 2005 and was intended to promote greater transparency on the strategy and performance of businesses. It was based on the materials used to elaborate the *Value Re-*

3 An example of an annual report according to the "Jenkins" guidelines can be found at: *http://www.aicpa.org/InterestAreas/AccountingAndAuditing/Resources/EBR/DownloadableDocuments/reuse_framework_1.pdf/*

4 See *http://www.aicpa.org/InterestAreas/FRC/AccountingFinancialReporting/EnhancedBusinessReporting/Pages/EBR_Background.aspx/*

porting model of PricewaterhouseCoopers, which researched types of information used in 16 industries of 14 countries both to manage an organization (information from the point of view of the Manager) and to assess an organization for purposes of investment (point of view of the investor, as indicated by Saitua (2008). Saitua also mentions the main objectives pursued by the EBR: enable *stakeholders* to see the organization through the eyes of the top managers, allow an approach adapted to the individual needs of the *stakeholders;* direct public demands on corporate responsibility; make information available online in real-time or almost real-time, and provide adequate assurance to reduce the gap in expectations.

This consortium also issued a Conceptual Framework[5] with four building blocks in which to structure business reports: business scenario, strategy, resources / processes, and performance.

5 *Idem.*

2
DEFICIENCIES AND GAPS OF CURRENT MODELS OF CORPORATE REPORTING

Not long ago, a company that produced goods and services published its annual report and distributed dividends did not need anything more to be considered excellent. Today, however, enterprise responsibility has expanded significantly. Enterprises are not only judged by their economic impact and the generation of wealth for shareholders, but also for their social, environmental, ethical and even political impact. Minimizing harmful impacts on the environment, meeting the needs of various stakeholders (and not only those of shareholders), taking care of corporate reputation, making a contribution to the development of the communities where it operates or cooperating with Governments, national authorities and supranational institutions are among the essential objectives of companies today.

These new responsibilities, which have their origin in the transformation experienced by society in recent decades, impose a review of business models in line with new paradigms such as the generation of shared value (Porter and Kramer, 2011), the pluralist business model based on the *stakeholder* company, the ideas of sustainability, long-term vision, responsible investment and ethical business governance, or the demand for greater transparency based on technological developments in the processing and dissemination of data.

The world has changed and with it, the idea of enterprise. Business models are evolving with the objective of creating long-term value, in line with the aforementioned paradigms. Reporting of business behavior and performance must also change.

The traditional annual report developed in and for a production oriented industrial world continues, however, still in operation. It presents historical financial information providing little relevant data on the value creation process. Current models focus on financial dimensions and productive capital. Other forms of capital such as intellectual, human and social capital are barely reflected (Financial Times, 2011). The need for broader information is clear as only a small percentage of companies' market value comes from their physical and financial assets (19% in 2009). In 1975 these assets represented 83% of that value (IIRC, 2011). The rest of the market value corresponds to intangible factors, some of which are reflected in the financial statements, but not many others.

2.1 Deficiencies

Financial information is not sufficient given the current business complexity. It must be complemented with new information methods arising from new regulations, codes or standards. This need has led to more extensive and complex financial reports, an increase of reports on corporate governance and compensation, and sustainability reports, all of which have developed rapidly in the last decade (IIRC, 2011).

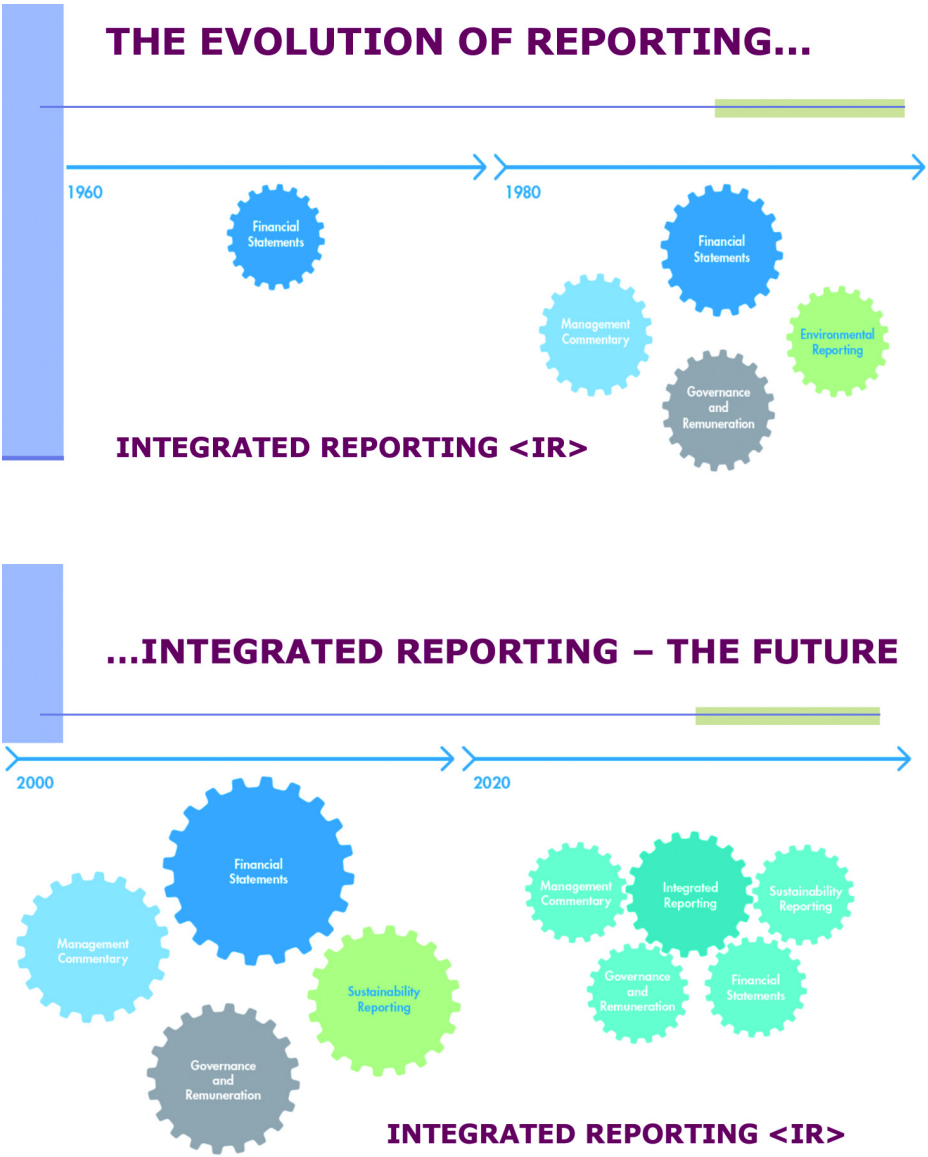
Through these developments of corporate information companies have attempted to satisfy these new demands. They have realized that the previously reported results were not as excellent as desired. It often seems that generated information is confusing, messy, fragmented and disconnected.

Corporate reports tend to have an excess of information that can hide relevant data. For example it is generally accepted among investors that non-financial factors have an impact on the business, for which they should be integrated in the strategy and operations of businesses. However they are not easily reflected in corporate information.

For many companies the annual corporate report is an exercise of compliance with the law, rather than a communication process. This is why in many cases these companies only respond to certain legal requirements, producing reports that do not connect strategy, risks, financial and non-financial behaviors, corporate governance, performance and value generation for stakeholders (IIRC, 2011). Graph 1 presents the evolution of business reporting in recent decades and its projection for the future as proposed by the *Discussion Paper* of the IIRC.

GRAPHIC 1

EVOLUTION AND PROJECTION OF REPORTING PRACTICES



SOURCE: The IIRC

The diagnosis could be as follows: at the moment large amounts of information are generated, certainly in excess. Such information is expensive to develop, especially if we expect to meet the increasing regulatory demands derived from the current economic crisis.

The growth in the amount of information is taking place in an unbalanced and disjointed manner. Financial reports have significantly expanded and at the same time new kinds of information are being developed for each dimension of the business reality. Annual reports, sustainability reports, corporate governance reports and other documents on company management are not interconnected. In addition, each of these reports is expressed in very different terms and style, with varying degrees of complexity according to their final users.

Currently, annual reports mainly present historical information with a lack of relevance, strategic orientation and utility to express the company's value in the short, medium and long term. According to a report by PwC (2012) "financial information currently looks towards the past and, in its traditional format, becomes available to stakeholders after a lag of several months." "Relying exclusively on this kind of information to understand the quality and sustainability of business results is becoming a dangerous game".

Comparability, ease of use, and verifiability of reports are very unequal, creating great difficulties for the processing and analysis of information by users (especially investors and analysts).

In short, the current situation of corporate information could be described schematically in the following way: it presents a large number of unrelated data, not necessarily relevant, expensive to produce, difficult to handle, and with little strategic significance (or reduced usefulness) for future oriented decision-making given its eminently historical and financial nature.

Corporate reporting today and its future development towards integrated reporting is schematically presented in Chart 1. The chart clearly presents how integrated reporting would simplify the current complexity of business reporting.

2.2 Gaps

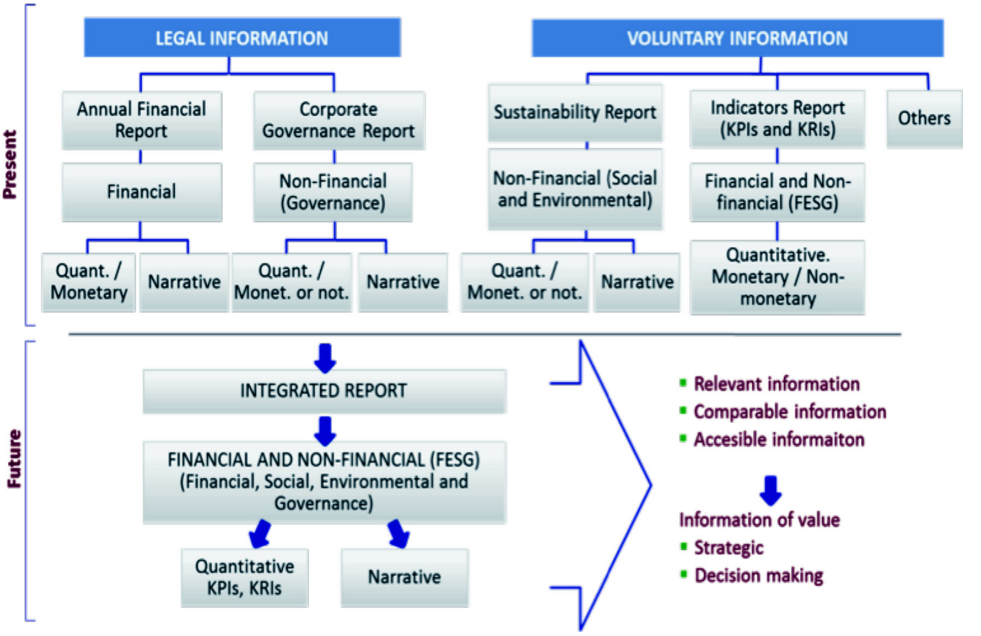
The IIRC has identified a series of requirements for corporate information, which have been structured in the form of "objectives for integrated reporting":

a) Corporate information must meet the needs of investors, being useful for taking long-term decisions.

b) Corporate information should reflect the interconnections between social, environmental, Government and financial factors. It must support decisions that affect enterprise behavior and long-term businesses conditions, linking the creation of economic value and sustainability.

CHART 1

OVERVIEW OF CORPORATE INFORMATION AND ITS FUTURE MOVEMENT TOWARDS INTEGRATED REPORTING



SOURCE: AECA: elaboración propia

c) Corporate information should provide information on relevant social and environmental factors that have to be continuously taken into account in the report and in the decision-making process.

d) Corporate information must be balanced to avoid in any case incorrect emphasis on short-term financial information.

e) Information must be as useful as possible for the direction and management of day to day business operations *(www.theiirc.org)*.

The study *Corporate information of tomorrow: a system at risk*[11] (carried out by PwC, the *Chartered Institute of Management Accountants* (CIMA) and the think-thank *Tomorrows Company)* concluded that "the current system of corporate re-

6 El estudio y la nota de prensa del mismo pueden consultarse en *www.pwc.com*.

porting is at risk and is experiencing a critical moment worldwide." "If an in-depth reform is not undertaken it can lead to wrong decisions". The report considers that if companies do not change the way in which they report to their *stakeholders,* "capital will invest in the wrong way, take little effective business decisions and society will be unable to understand the important role to be played by the business community to meet the great challenges of the 21st century".

The report, prepared with the opinions of 118 organizations from 22 countries, scans the profound change which the enterprise and business environment have experienced in recent decades and proposes some fundamental lines upon which to build future corporate reporting:

- Focus corporate reporting on information which shows creation of value in the long term, as well as its associated risks. Internal information used by managers must be aligned with information offered to external users.
- Corporate reporting should be relevant and accessible over time; it should encourage companies to communicate what is important now and in the future.
- Corporate reporting should support the decision-making process of investors and shareholders, show the ability of companies to create value in a sustainable way and allow comparisons with other companies. In addition, it should recognize the importance of those who have the responsibility to monitor and review its reliability.
- Encourage change and innovation by building cooperation and confidence among those involved in the corporate reporting system, the company and its stakeholders.
- Balance judgment, opinion and compliance by creating a system that encourages companies and professionals to make known their vision beyond mere compliance with the legal requirements.

2.2.1 MAIN NEEDS OF CORPORATE INFORMATION

From the identified deficiencies it is possible to propose some principles that should guide the development of a more integrated reporting:

1st Relevant information

With the increase in the excessive amount of corporate information prepared and published, it can be questioned whether so much information is really necessary for a proper decision-making process (both internally for company managers and externally for potential investors and other stakeholders).

Relevant information is that information which allows internal and external report users to evaluate the capacity of the organization to generate value in the short, medium and long term. It is not a question of quantity but of quality and accuracy of the information. The challenge lies on identifying which areas are relevant and how they should be presented.

2nd Interconnected information

Information should be interconnected to avoid (a) lack of relation between business areas analyzed in the report and (b) contradictions and/or unnecessary and costly duplication. Strategic information is obtained by analyzing the relationship between financial and non-financial factors, enterprise objectives, management variables and indicators which take into account the environment and the risks for the organization.

3rd Homogeneous information

Financial information is presented in monetary terms, perfectly quantifiable, while non-financial information often takes a narrative which is little or no quantifiable at all. One of the basic objectives of integrated corporate reporting would be to mix to the greatest possible extent (if not entirely) relevant data, offering in a few perfectly quantifiable terms all aspects of business reality, both financial and non-financial.

4th Comparable information

If the information is presented in quantitative terms (monetary or non-monetary) comparison will be possible. It should be then agreed among company and stakeholders what should be compared. Today financial information has clearly defined models while non-financial information (sustainability / corporate governance), given its eminently qualitative nature, presents major problems for comparison and analysis.

5th Automated information

Associated with homogeneity and comparability, information should be easy to handle in a reliable and automatic way through computer processing and dissemination systems. The processing and dissemination of financial and non-financial data, allowing basic analysis of information, is currently possible through the XBRL.

6th Balanced information

Predominance of financial information has to be adjusted according to the recently acquired value of non-financial information. Its specific weight in the decision making processes of managers, investors and markets should be rebalanced. The

balance between both dimensions will offer a more complete vision, in tune with how it is perceived by society.

7th Strategic information for the short, medium and long term

Information is strategic if it can express to which degree strategic objectives are achieved by the organization and project them towards the future. Traditional corporate information focuses on past and present behavior through the analysis of historical data. Future projection is not usually found on financial statements. Therefore normally there is no medium and long term strategic information.

8th Reliable information

Financial information, after several decades of development, has fairly widespread systems of audit, executed by independent third parties. Non-financial information has not yet specific systems of verification or information assurance standards that ensure the accuracy at the same level as financial information. The objective would be to achieve the same degree of verification for either type of reporting.

2.3 Key indicators on behavior, risks and results

One of the fundamental needs on which integrated reporting rests is to define which information is really relevant for the established objectives. The challenge lies in identifying and presenting in precise terms relevant information to allow lobbyists to make their decisions about the company (Deloitte, 2011).

In this sense, key performance or risk indicators, *(Key Performance Indicators-KPI* and *Key Risk Indicators-KRIs),* can play a major role as drivers of relevant information contained in a few perfectly quantifiable and comparable terms. Of course, areas to be measured and correct formulation of the indicator are critical to achieve this objective.

KPIs can be financial and non-financial, and can relate to several magnitudes related to strategic aspects and future behaviors. KPIs are widely used in measures of non-financial aspects, precisely because of its flexibility compared to traditional accounting parameters. They can be used to understand the quantitative evolution of related corporate behaviors (product quality, employee compensation, development of new products, retention of customers, etc.). (Eccles and Krzus, 2010).

There will be industries and companies that need specific indicators perfectly focused on their activities, while other indicators will be more generic, applicable to all kinds of companies. Any activity or behavior which cannot be expressed in numerical terms could use *Key Performance Narrative* (KPN) to accurately describe in a few words a particular behavior (2010 EFFAS).

The International Federation of Accountants (IFAC, 2012), in one of its more recent pronouncements, recommends accounting profession organizations to make environmental, social and corporate governance (ESG) information meet the needs of investors in terms of materiality or relevance, consistency, frequency and comparability, allowing a greater utility of the so generated reports. In Appendix 1 of the mentioned pronouncement, the IFAC proposed a scoreboard of ESG indicators demanded by investors, similar to the Central Scoreboard on Corporate Social responsibility (CS-CSR) prepared by AECA (2010).

3
TOWARDS A NEW MODEL: 'INTEGRATED REPORTING'

The growing deficiencies of the traditional reporting systems which do not properly satisfy the demands of the new business model, has led to a move towards integrated reporting as a model for a more comprehensive report that integrates in a single document relevant elements of the traditional financial report with corporate governance and sustainability reports. The integrated report includes financial and non-financial aspects through key indicators linked with the strategy, risks, new opportunities and corporate behaviors.

The role of enterprises in Society and the concept and implementation of integrated reporting are inseparable, according to Eccles (2010). Corporate reporting represents the way in which companies are perceived and how they are expected to be in the future. Rethinking the role of the modern enterprise in society and the development of the integrated reports are mutually reinforcing movements.

Before offering a definition of integrated reporting (IR), it is often useful to refer to what it is not (Deloitte, 2011):

- Simple accounting of saved trees, polluting emissions or donated funds.
- Reporting for the sake of reporting.
- An appendix on sustainability included in the financial report or vice versa.
- A marketing or advertising initiative that does not present a balanced vision of the company (or even hides harmful behaviors).

Integrated reporting is not just the combination of financial and non financial information by introducing selected social and environmental data in the annual report. Integrated reporting can be understood from a double perspective: the (1) management perspective (development of strategic information, objectives and

decision-making), and (2) stakeholder perspective (communication which ensures that information meets the needs of stakeholders) (KPMG, 2010).

3.1 Definition of integrated reporting

According to the IIRC (2011):

> *"Integrated reporting expresses the connections between strategy, Corporate Governance and financial behavior and the economic, social and environmental context in which the company operates." "Strengthening these connections, integrated reporting can help organizations make more sustainable choices and investors and other stakeholders know the real behavior of the company and its performance".*

The IIRC in its *Discussion Paper* proposes the following definition:

> *"Integrated reporting provides relevant information (materiality) about the strategy, Corporate Governance, behavior and prospects of the company and its connection with the economic, social and environmental context in which it operates. Integrated reporting provides a clear and concise representation of how an organization manages and creates value, now and in the future. Integrated reporting consistently combines the most relevant elements of corporate information, which are currently reported separately (financial, corporate governance, management and sustainability reports), and shows the interconnections between them, explaining the way in which this affects the company's ability to create value in the short, medium and long term. Integrated reporting reflects what might be termed integrated thinking: consideration of different resources / capital classes and their interrelations: financial capital, productive capital, human capital, intellectual capital, natural capital and social capital".*

3.2 The integrated report

The main result of integrated reporting is the integrated report: the kind of report the IIRC predicts will replace current corporate reports.

In its most basic form, an integrated report or *One Report* (which is the term used by Eccles and Krzus), means a report that combines financial information (annual reports) with non-financial information (environmental, social and corporate governance). This not only includes generation of a paper document, but also the use of the Internet and specific IT analysis tools to allow dissemination of information to stakeholders (Eccles and Krzus, 2010).

One Report does not mean that the company needs to exclude development of other types of more specific information targeted to specific users, but rather to develop an integrated reporting system of key aspects of financial and non-financial information. Through a technological platform, such report allows a (democratic) use by all interested stakeholders through the corporate Website and the Web 2.0 (Eccles and Krzus)(2010).

The integrated report will be useful to all users interested in the strategy and the behavior of companies, but hardly will contain all relevant information necessary for all stakeholders. For this reason, it is very difficult to ensure that other types of corporate reports for specific stakeholders (or required by laws and regulations) will not be necessary, at least in the early stages of integrated reporting. In the future, integrated reports might be even legally required after investors and other users recognize their value (2011 KPMG).

In accordance with the *Integrated Reporting Committee* (IRC) of South Africa, a consortium of five leading organizations in that country, the integrated report offers a complete vision of the organization. It is a report explaining stakeholders the strategy, behavior and activities of an organization in terms which assess the ability to create and maintain value in the short, medium and long term. An effective integrated report can reflect the ability to maintain good relations with stakeholders and generate value on the basis of financial, social, economic and environmental systems. An integrated report should be written clearly, in understandable language, in order to be a useful resource for stakeholders.

3.2.1 GUIDING PRINCIPLES OF THE INTEGRATED REPORT

According to the *Discussion Paper,* development of an integrated report must be based on the following principles:

Strategic approach. The integrated report should consider the strategic objectives of the Organization and its ability to create and maintain value over time, as well as the resources and relationships that the Organization depends on.

Connected information. The integrated report will show the connections between different components or parts of the business, external factors, resources and relationships on which the Organization depends. For example, how market changes impact company strategy or how company strategy relates to key performance indicators (KPI), key risk indicators (KRI) and compensation strategies.

Orientation towards the future. The integrated report should help its users understand the Organization's prospects, its uncertainties and future expectations. It should explain how to combine short-term and long-term interests, objectives to

reach, plans to achieve them and barriers and challenges that may be on the way. It will include analysis of objectives, predictions, projections and estimates.

Liability with stakeholders. The integrated report refers to relations with key stakeholders and to what extent the organization understands, takes into account and responds to their needs. Stakeholders should help to identify relevant issues, evaluate and develop strategies and carry out activities.

Concision, reliability and relevance. The integrated report provides concise, reliable and relevant information to assess the capacity of the Organization to create and maintain value in the short, medium and long term. The company must distinguish between information that is relevant, and that should be included in the integrated report, and other information that may be relatively static or is relevant only for some users of the report. It should also decide whether the information is sufficiently reliable, i.e. complete, neutral, without errors, consistent over time, comparable (between organizations and over time) and verifiable by an independent external auditor.

3.2.2 CONTENT OF THE INTEGRATED REPORT

The content proposed by the *Discussion Paper* (DP) is structured into six blocks:

Business and organizational model. Actions of the Organization aimed to create and maintain value in the short, medium and long term. In this section the integrated report should refer to the Mission of the Organization, its main activities, markets, products and services; its business model, value indicators, critical dependencies to stakeholders and their attitude to risk.

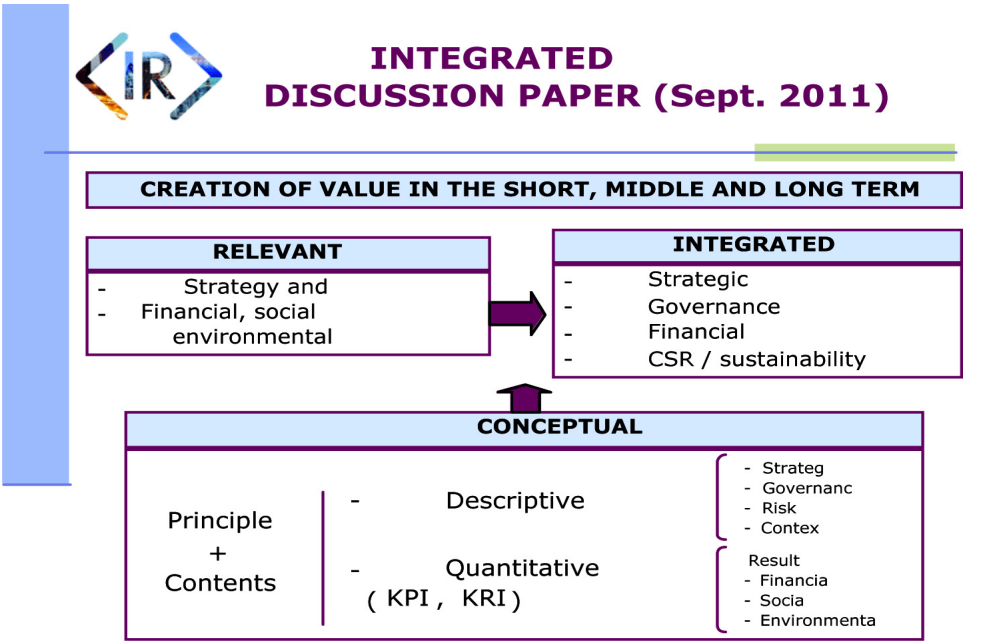
Operational context, including risks and opportunities. The commercial, social, and environmental context in which the Organization operates, including regulations affecting the ability of the Organization to create and maintain value in the short, medium and long term, resources and relationships key to the success of the Organization (including key stakeholders, their needs, interests and expectations, and their importance to the Organization), main risks and opportunities (including those relating to their relationships and their impact), and the present and future availability, quality and affordability of the relevant resources.

Strategic objectives and strategies to achieve organizational goals. Agreements on risk management associated with key resources and objectives. The link between strategies and other elements, and what makes the organization unique and capable of generating value in the future.

Corporate government and compensation. Explanation of the processes of strategic decision making, including the Governance systems, top-management

CHART 2

MAIN CONTRIBUTIONS OF THE IIRC 'DISCUSSION PAPER'



SOURCE: elaboración propia

skill sets, decisions taken by managers to influence the strategic direction of the Organization, including its culture, ethical values, and relationships with key stakeholders, and how executive and corporate government decision-makers compensation is linked to the performance in the short, medium and long-term.

Results. Qualitative and quantitative information: KPIs and KRIs related to the Organization's performance, its strategic objectives and related strategies. Exposition of the impact of the Organization (both positive and negative) over resources and relations on which it depends, significant external factors that affect its results, and analysis of company's success in achieving its goals.

Prospects for the future. Rigorous and transparent analysis on how the organization is prepared to respond to the future context, how the Organization balances short and long term interests, the potential impact of the position the company expects to take in the short, medium and long term, and the actions necessary to get to that position and its associated uncertainties.

3.3 Progress and benefits of integrated reporting

There are already some interesting examples of the implementation of integrated reporting by companies and leading institutions (e.g. multinational companies BASF, Phillips, and Novo Nordisk). This is, of course, an incipient trend. A recent study about the Spanish experience on integrated reporting conducted by the Spanish Association of Accounting and Business Administration (AECA) within the framework of this document's research discusses the contents of integrated reports published in 2011. Although only 16 organizations published reports of such a kind, these reports already represent a starting trend of which some interesting details[7] are detailed below.

Interest on integrated reports has been shown not only by some large Spanish listed companies but also by non-profit organizations. We should, from the very beginning, take them into account as potential recipients of guidelines on integrated reporting.

75% of the sample of companies which developed integrated reports used external verification services for their non-financial information. It is clear that organizations interested in integrated reporting are also interested in the quality of their *reporting*.

The type of integrated report that prevails combines the sustainability report, the annual financial report and the annual report on corporate governance. This could indicate that integrated reports emerge as a more or less successful unification of various documents. It is also important to note that the inclusion of quantitative key indicators (KPIs, KRIs) is not widespread. Their classification and treatment is diverse making it very difficult to compare information among organizations.

Some benefits of reflecting a sustainable strategy on an integrated report can be (Deloitte, 2011):

- It improves the organization's ability to identify and respond to opportunities, risks and changes in the business environment through a long-term approach.
- A better connection between environmental, social and corporate governance behavior (ESG) and financial behavior.
- Better relationship between behavior and executive compensation.
- Obtaining competitive advantages through cost savings, operational efficiency, differentiation and innovation (for example, with product development).

7 The main conclusions of the research are reflected in Annex 1 of the Document. The full study can be found at *www.aeca.es*.

- Improvement in the attraction of capital, trade partners and in the value chain.
- Improvement of relations with stakeholders focusing in their needs and expectations.
- Improvement in business compliance with present and future regulations and corporate governance requirements.
- Improvement of credibility in front of stakeholders through transparency and independent verification of the integrated report.
- Internal and external reporting are aligned and simplified for consistency and efficiency.

The IIRC *Discussion Paper* presents a series of benefits and challenges of integrated reporting. It considers different perspectives, both from corporations developing information and from its users (investors, regulators, civil society, employees, auditors and academics (2011 IIRC)).

3.4 Verification of integrated reporting

A potential weakness of integrated reporting is its use for commercial and public relations rather than as an instrument to present a realistic picture of corporate behavior. To avoid possibility it is recommended to carry out external verification in the same way as financial information audit is performed. The opinion of a third party brings credibility to the integrated report adding value to the process.

Regarding financial, social, and environmental information only a quarter of sustainability reports present independent verification or assurance. Spain is the country with the highest percentage of companies (44%) with verified sustainability reports and the United States is the country with the lowest percentage (6%).[8]

Aunque la proyección futura no puede ser verificada, sí puede ser observada en términos de racionalidad, como parte de la información integrada debidamente revisada por un tercero conforme a determinados criterios y metodologías (verificación o aseguramiento).

Verification can be understood in one of the following ways:

- Certification of the accuracy of specific indicators.
- Evaluation of the reporting process.

8 *CorporateRegister.com*.

- Assurance of the accuracy and completeness of paragraphs and statements in the report.

The level of assurance or verification must be justified through the value it generates, bearing in mind cost-effectiveness. The European Union emphasizes its interest on integrated information (financial and non-financial) because it offers meaningful and accurate information whose collection is cost-effective and responds to the needs of stakeholders[9].

For non-financial information to reach quality assurance or verification levels similar to those of financial information, some authors propose to develop first international standards for non-financial reporting and verification processes. Development of these standards should be led by international accounting and auditing organizations such as the FASB, IASB, PCAOB *(Public Company Accounting Oversight Board),* IFAC, etc. Collaboration would allow to issue a common framework for the integrated audit of financial and non financial information and to implement common standards at large companies (Eccles, Krzus, Watson, 2012).

3.5 Recommendations for incorporating integrated reporting into corporate reporting

The Discussion Paper offers possible routes to introduce organizations to the integrated report:

- Submit already developed financial and non-financial information together as a single report. Although this is not the ultimate goal of integrated reporting, this may help move closer towards it.
- Publish a concise integrated report incorporated into the legally required information.
- Modify the sustainability report and other legally required information according to the principles and contents of integrated reporting.
- Adopt the model of integrated reporting internally until regulators decide to externally promote the model[10].

Other practical advice for organizations to gradually incorporate the culture of the integrated report include (Deloitte, 2011):

9 New Strategy of the EU for 2011-2014 on CSR, October 2011.

10 The *Global Reporting Initiative* (GRI, 2011) points out that it is also necessary to integrate the accounting and management systems of companies and their supply chains to ensure a greater degree of integration.

1. Be attentive to the IIRC, its *Discussion Paper,* its subsequent conceptual framework and the creation of an implementation draft for integrated reporting.
2. Join the debate. Accounting managers, financial managers and CFOs must actively participate in discussions on integrated reporting.
3. Involve top management and the Board of Directors.
4. Establish key risks and strategies for timely follow-up.
5. Appoint a person responsible for coordinating all topics on integrated reporting.
6. Consult with stakeholders to identify what is truly important.
7. Take advantage of the possibilities within the Organization, avoiding duplications.
8. Define KPIs and KRIs.
9. Expand or integrate existing ESG reporting.
10. Hire a consultant if you don't have a guide for taking action and applying remedies.
11. Consider verification by an independent provider to obtain credibility for developed information.

Many organizations and official regulatory agencies have created working groups to explore the opportunities offered by integrated reporting. Participation in these groups will allow companies to join the debate, influence it and prepare for the application of its concepts.

4
SOME EXAMPLES OF INTEGRATED REPORTS

4.1. Integrated reporting at the international level

The following companies are considered precursors in the development of integrated reports: Novo Nordisk (Denmark), United Technologies Corporation (United States) and Philips (the Netherlands). However, there is already a large group of companies whose reports are providing integrated information: BC Hydro, TNT, BT, Aviva, Pepsico, Azko Nobel, Syngenta, Natura, Potash Corp, Vancity, HSBC, Renault, Aracruz, Natura, Novartis, CIBC, Rabobank, SolarWorld, Van Gansewinkel Groep, American Electric Power, Takeda, ASN Bank, etc.

4.1.1 NOVO NORDISK: AN EXAMPLE TO FOLLOW

Novo Nordisk Annual Report 2010 as gathered considerable international attention. Eccles and Krzus (2010) analysis starts with *Novo Nordisk Annual Report 2008*. 2008 was the fifth year that Novo Nordisk presented an integrated document with financial and non-financial information. According to the company, combining financial and non-financial information improved the evaluation of the company by its *stakeholders*.

Eccles and Krzus highlight that *Novo Nordisk* not only established the connections between their sustainable business practices, but that also connected financial and non-financial data through a rigorous approach. Financial information is regulated on the basis of the IFRS and non-financial information has as reference the GRI-G3. Eccles and Krzus also point out that the audit of the annual report

was carried out by *PricewaterhouseCoopers* (PwC), which also provided assurance in relation to the non-financial part. The audit of the annual report not only focuses on financial information, but also included some non-financial data for which *assurance* was not required.

In relation to the definition of "materiality" for financial information, there was no problem in the Novo Nordisk report as it was defined in the Conceptual framework of the IFRS. However as there is no international consensus regarding non-financial information in 2008 Novo Nordisk employed the criterion of relative importance of AccountAbility (AA1000 Assurance Standard), as well as its required external verification. Finally, the use of the website of the company stands out as a complement to the integrated report. The website supplies specific information to *stakeholders,* particularly in relation to sustainability and allows creating a customized view of the report. Users can create their own reports based on their information needs. Thus, the integrated report and the Internet contribute to a wider process of dialogue and engagement with the different *stakeholders*.

Conclusions on the *2010 Annual Report* are close to what it has been explained in the preceding paragraphs. Comparability to the *2009 Annual Report* has been also analyzed, taking as a reference the guiding principles and basic components of the *Discussion Paper.*

In the first part of the report (called *Key Figures* in the 2010 report, *Performance Highlights* in 2009), 37 financial and non-financial indicators are highlighted, compared with the previous year (except those relating to objectives), and divided in the following blocks:

- Financial results.
- Long-term financial objectives.
- Non-financial results.
- Non-financial objectives.
- Results of corporate actions.

This initial part provides a first approach to quantitative data.

The overall structure of the report presents the following main sections:

- Our achievements and results in 2010.
- Our business.
- Diabetes care.
- Biopharmaceutical products.

- Corporate governance, compensation and leadership.
- Capital structure.
- Consolidated financial and non-financial statements in 2010.
- Other information

The structure of the 2010 and 2009 reports is relatively similar, although the 2010 report presents the specific block "Our business" that derives from other content blocks of 2009, as for example “How we work”.

In relation to the section "Our achievements and results in 2010", it presents a structure that combines quantitative data and qualitative explanations of financial performance, offering also a quantitative forecast for the 2011 financial year. At the end of this section a series of outstanding financial and non-financial indicators for the last five exercises are reported (this denotes a certain tradition and structure on the development of integrated reporting).

In relation to standards based financial information (consolidated annual accounts), the company mentions that it was prepared in accordance with the IFRS adopted by the European Union. The consolidated financial statements and the audit report are included in full.

“Non-financial accounts” also use detailed standards: Danish Financial Statements law (FSA), which requires certain information about CSR, the company's strategy, activities, human rights, etc., as well as AA1000, Global Compact and GRI (G3) principles. Non-financial statements consist of a table with indicators explaining last three years’ "social performance" and "environmental performance". Such indicators are explained in related notes in a similar way to how it is done with financial statements.

For example, the summary of quantitative indicators "active patent families" refers to the number of patents Novo Nordisk has:

Indicator	Note	2010	2009	2008
Active patent families	4	817	905	890
New patent families (first filings)	4	62	55	71

In note 4 of the consolidated non-financial statements, as they are called in the report, the causes of these changes are explained:

“Novo Nordisk patent families decreased 10%, from 905 in 2009 to 817 in 2010”. The decrease is the result of a patent policy which focused only on those that are significant in relation to the business. The number of new patent families in 2010 was 62, representing an increase of 13% compared to 2009. “The increase

is attributed to the continuous increase of expenditure on research and development".

Finally, non-financial information has also been verified through an Independent Assurance Report on Non-Financial Reporting for 2010, independent from the financial audit.

4.1.2 UNITED TECHNOLOGIES CORPORATION

This American company has a great tradition of corporate reporting. Eccles and Krzus (2010) discussed its annual report for 2008 financial year (a report with a considerable volume of content discussing financial information, although less space was given to non-financial reporting).

The 2010 report is entitled *Big Goals, Big Results* and, although it has a similar structure to previous reports, it does not have the same breakdown as in 2008 or 2009 (this is significant regarding comparability). Modifications were probably caused by the evolution experienced by the reporting system towards integrated reporting.

After the letter of the President, Louis R. Chenevert, and a summary of major achievements in the aerospace and commercial fields, comes the section *Our Approach,* based on four points:

1. Creating an ethical culture (corporate governance).
2. Invest in our people (employee training).
3. Community problems.
4. Objectives of sustainability and progress, based on environment, protection of workers, suppliers and products.

In all these cases, information provided is narrative and there is no abundance of quantitative indicators.

Next, the section *At-a-glance* offers a global vision of the company in two pages, both financial and non-financial, based on six basic financial indicators and nine corporate responsibility indicators. Although it is not located in the initial pages as is the case with other integrated reports this section is important.

Financial indicators included are: net sales, diluted earnings per ordinary share, cash flow from operations, spending on research and development, dividends paid by ordinary shares and debt/equity ratio.

Corporate responsibility indicators included are: non-greenhouse gas emissions, greenhouse gas emissions, industrial process waste, water consumption, lost work-days incidence rate, supplier's safety, hygiene and environment (EHS), materials of concern, packaging and energy efficiency.

If we compare the *At-a-glance* section of the annual report from 2008 to 2010, we can observe that financial and non-financial indicators have changed. For example, in connection with financial indicators, 2008 and 2009 *Revenues* indicator is replaced in 2010 by *Net Sales*.

The financial information section contains an interesting summary of ratios and financial indicators over five years, the *Management's Discussion and Analysis* (the equivalent of Spain's "Informe de Gestión" / Management Commentary), the complete consolidated financial statements and the audit report of those financial statements.

It should be noted that corporate responsibility information lost its specific section in 2010, whereas the financial information section increased from 53 to 61 pages.

4.1.3 PHILLIPS

Another example of a first approach to integrated reporting is the 2010 Annual Report of Philips. It is possibly the most extensive and complex report reaching 250 pages.

The report begins with a graphical summary of 13 financial indicators (the Performance Highlights section). Subsequently, the company exposes its corporate strategy and how to address sustainability (pages 15-58).

Among the report's sections, two of them standout: paragraph 13, dedicated to the group's financial statements prepared under IFRS; and paragraph 15 dedicated to the company's sustainability situation.

In particular, paragraph 15 is divided in several subsections:

- Economic indicators
- Indicator "EcoVision5"
- Indicator "EcoVision4"
- Green Manufacturing 2015
- Social indicators
- Suppliers' indicators
- Independent verification report
- The *Global Reporting Initiative* (GRI)

Although similar in purpose to the Novo Nordisk report, non-financial indicators are not presented in an initial summary, but broken down in the Sustainability section. Changes in indicators are described first and then specific quantitative figures are given for three consecutive years. For example, in the economic indicators section:

"The total amount of acquired goods and services amounted to 15.9 billion euros, representing 62% of the total revenue of the Philips Group". 71 per cent of this amount was expended on global suppliers, the rest on local suppliers. Compared to 2009, expenditure increased in absolute terms as a result of higher sales volumes. "Expenses as a percentage of sales decreased, reflecting strict cost management".

In EUR million	*2008*	*2009*	*2010*
	17.938	*15.110*	*15.873*

At the end of the report Philips Group indicates compliance with *GRI Table*.

4.2. Analysis of good practices at the Spanish level

4.2.1 BBVA

For the first time, BBVA has issued an integrated report, called Informe Financiero 2010 (2010 Financial Report, in Spanish) presented in April 2011. The report starts with a series of financial indicators, among which six graphics provide a first insight into the economic and financial developments of the company over the past four years (reflected in the "Highlights" section):

- Gross margin.
- Benefit attributed to the BBVA group.
- *Core capital.*
- Efficiency ratio.
- Earnings per share.
- *Core capital* ratio.

The next section is the "Executive Summary", which extends for 40 pages. Its letter from the Chairman, Francisco Gonzalez, explicitly mentions that "for the first time, information on corporate responsibility is integrated into the financial report, anticipating the most innovative trends around the world". While financial details are introduced throughout this section, the subsection "Corporate responsibility" details the main approach of the BBVA Group, its objectives for the 2010 financial year, their degree of compliance (verified by the auditor Deloitte) and their goals for 2011. Finally, the report offers "Key indicators" of corporate social responsibility for the three last financial years (2008-2010), divided in economic (3), social (15), environmental (5) and Management and Governance (5) indicators, although the reason for the increase or decrease in these sections is not analyzed.

The next section is intended to explain "Financial information of the BBVA group". Unlike other integrated reports (e.g. the three non-Spanish reports that we have mentioned), this isn't a section with special weight in the integrated report of BBVA (23 pages, 11% of the total number of pages). The full consolidated financial statements are not exposed. This can be considered a good practice, because there is no need to expose the full consolidated annual accounts, but only its material aspects. Instead, an analysis of the BBVA's results, balance and activity with multiple tables and indicators is presented.

The next section is devoted to "Risk Management", in whose last part there is a block dedicated to management of ESG risks. The strategy of the company with respect to the risk focuses on four important areas, offering interesting quantitative data.

1. The credit profile of BBVA's clients with the tool *Ecorating*.
2. The financing of large investment projects according to the Equator Principles.
3. Sustainable development credit lines with multilateral development banks.
4. Financing policies.

Finally, there is a specific section for *Corporate Social Responsibility* (5 pages) divided into five key sections:

- Principles, policies and corporate responsibility governance (narrative).
- Financial education (about personal finance workshops in Mexico, among other projects).
- Financial inclusion, showing quantitative data of the Microfinance Foundation of BBVA and the Banking Plan.
- Responsible banking, which also shows quantitative and qualitative data, including contracts by gender, quantitative data about training efforts, electricity, water and paper consumption.
- Commitment to society, in the areas of education, in South America and Mexico, and research activities. Some quantitative indicators are also given.

4.2.2 INDRA

This Spanish group is presenting a full annual report that corresponds to the concept of integrated reporting. If we compared the structure of its annual reports for

2009 and 2010, we would find that they have a similar structure, something that is certainly important regarding the comparison of information from year to year.

In addition to the 2010 Annual Report, Indra has issued an 8 page summary explaining the main economic, social and environmental quantitative magnitudes; the most important milestones achieved in 2010, its business environment and strategy, its letter of offered services and its approach to sustainable management in relation to its *stakeholders*.

In general, the contents of Indra's annual report align well with the basic content presented by the IIRC in its *Discussion Paper.* And, like BBVA, it also exposes the complete consolidated financial statements. A new aspect introduced by this report is the principles that govern its corporate development, detailing the applied principles, their explanation according to the definitions given by the GRI G3 or AA1000 APS 2008, and the way in which Indra ensures the application of these principles. Here are Indra's principles used and their correspondence with the guiding principles outlined in the *Discussion Paper:*

TABLE 1

COMPARISON AND CORRESPONDENCE OF THE GUIDING PRINCIPLES OF THE 'DISCUSSION PAPER' WITH INDRA'S 2010 ANNUAL REPORT PRINCIPLES

Guiding Principles of the *Discussion Paper*	**Principles of the Indra 2010 Annual**
Strategic	
Connectivity of	
Future	
Fast response and stakeholder	Involvement of stakeholder
	Response
	Sustainability
Concision, reliability and materiality	Materiality/Relevanc
	Reliabilit
	Clarit
	Precisio
	Completenes
	Comparabilit
	Balanc
	Periodicit

Finally, it should be noted that at the end of the annual report a scorecard presents a large number of indicators for the past six years (2005-2010), divided in the following blocks: shareholders, employees, customers, suppliers, partners, environment, society and knowledge institutions.

4.2.3 OTHER COMPANIES AND ORGANIZATIONS: AECA

In a previous empirical study carried out by the writers of this document (Lizcano, Flores and Rejón, 2011) 16 out of 300 organizations that reported with GRI-G3 Guide at the time of the research were Spanish. The study analyzed differences between conceptual proposals of the IIRC (in its *Discussion Paper)* and the reports submitted by enterprises and Spanish institutions (all of which can be consulted through links listed on that research). The findings of the study are reproduced in Annex II of this document (the study has been published by the IIRC in the collection of responses to its *Discussion Paper,* being the only paper published at the end of 2011 with similar analytical scope).

AECA is one of the organizations which published in 2011 its first integrated report. The AECA Memory 2010 is divided into three sections: 1) Activities, 2) Governance and Corporate Social Responsibility, and 3) Annual Report. The three sections were formulated by the Management Board of the Association and approved by its member's General Assembly. The integrated annual report consists of the following parts:

1. Audit report.
2. Abridged annual accounts.
3. Verification report.
4. Annual report on Corporate Social Responsibility.

The annual Corporate Social Responsibility report presents key performance indicators (KPIs) that reproduce the Central Scoreboard (ITC-CSR) developed by AECA itself. It consists of 27 quantitative indicators, divided in three blocks: economic, environmental and social. Indicators are compared with previous year figures and a few notes are added to each of them. The verification of these indicators was carried out by the same professional firm that audited the Association's annual accounts[11].

The annex of the AECA Memory 2010 presents a table of GRI indicators corresponding to the principles of the Global Compact.

11 The memory AECA 2010 can be found at *www.aeca.es*

5
PROPOSALS TO INCORPORATE INTEGRATED REPORTING ON THE STATUTORY AND LEGAL DOCUMENTATION OF COMPANIES

At this point, one wonders how integrated reporting could be applied to Spain in a first phase. We already stated that the objective of the IIRC is to turn the integrated report in the primary vehicle of corporate information. Some relevant Spanish companies (BBVA and Indra, section 4) had already chosen integrated reporting even before the IIRC had issued its *Discussion Paper*. In addition to these two companies, three others (Enagas, Telefónica and Inditex), have incorporated into the pilot program of the IIRC.

Though it may be desirable, we cannot ignore that issuing useful integrated reports on a voluntary basis is not a simple task for publicly listed companies. It requires a certain degree of standardization of its contents (quantitative indicators and narrative detail statements), as well as comparability between companies in time, apart from other regulatory requirements.

The already mentioned IIRC *Discussion Paper* considers the complexity of integrating information into a single report based on the principles and contents explained throughout this document. Thus, the IIRC understands that there must be a period of transition.

5.1 Compulsory integrated reporting (the case of South Africa)

In the first scenario, some jurisdictions introduce integrated reporting requirements. This is the case of South Africa where the Johannesburg Stock Exchange requires that listed companies prepare an integrated report, or publicly explain why they do not prepare it. Interestingly, the standard that introduces the integrated report in South Africa is based on corporate governance, (the *King III Code on Governance,* named after Mervyn E. King, President of the IIRC).

The *King III* proposes that legally required financial information and sustainability information are incorporated in the integrated report. In addition, the integrated report must be prepared annually and must have sufficient information to reflect the company's positive and negative effects over the economic life of the community in which it has operated during the financial year. The report shall also contain information on how administrators believe they can improve the positive aspects and lower the negative aspects of their activity in the future (2009 PricewaterhouseCoopers).

In connection with the assurance of sustainability information, King III requires companies to establish a formal process. The Audit Committee shall recommend managers to hire an external *assurance* provider to ensure materiality of sustainability information in the integrated report (2009 PricewaterhouseCoopers). Thus, the Board of Directors is responsible for the integrated report, although sustainability monitoring actions can be assigned to the Audit Committee. The Audit Committee must also support the Board of Directors on the review of sustainability information, ensuring that information is reliable (SUSTAINABILITY SOUTH AFRICA, 2010).

5.2 Integrated reporting within the existing legal requirements

A second scenario includes organizations that experiment with integrated reporting within the existing legal requirements. The pilot program of the IIRC can serve as a base for such experimentation (2011 IIRC). In effect, 56, major corporations worldwide have signed the pilot program, the majority of which belong to the Netherlands (10), the United Kingdom (8) and the United States, Spain and Italy (5 each).

Spain should adopt integrated reporting within this framework. Adoption should occur first among listed business groups and other public interest organizations, then it would extend to large non-listed companies and small and medium-sized enterprises.

As we have seen when analyzing the previous scenario, South Africa has used corporate governance to introduce integrated reporting. The Spanish legislative framework for corporate governance has been greatly developed through the Corporations Act (in Spanish *"Ley de Sociedades de Capital",* article 538, inclusion of corporate governance reports in the annual report), the Securities Market Law *("Ley del Mercado de Valores",* article 61 bis of the annual corporate governance report, article 61 ter., in the annual report on Compensation of Executives), as well as the *Circulares* (Periodic Letters) of the CNMV (Spanish National Commision of Stock Market) *(CNMV Circular* 4/2007, of December 27; *CNMV Circular* 1/2004, of March 17, *CNMV Circular* 2/2005, of 21 April)[12], offering few options to enter integrated reporting.

It is more likely that integrated reporting will develop in Spain through its inclusion in the Management Commentary *("Informe de Gestión").* Indeed, the legal content demanded by the Corporations Act *("Ley de Sociedades de Capital")* in its article 262 establishes a minimum of information to reveal. In relation to consolidated groups, the consolidated Management Commentary is governed by article 49 of the Code of Commerce *("Codigo de Comercio").* The structure is as follows:

Consolidated annual reports must contain a fair review of the evolution of the business and the overall situation of the consolidated companies, together with a description of the main risks and uncertainties they face. A summary of the organization structure, its business model and its operating context (including risks and opportunities) could be developed in this section.

According to article 49.1, the information should present a balanced and comprehensive analysis of the evolution and results of the business. Both positive and negative aspects affecting the company and its environment should be reviewed. To the extent necessary to understand company situation and performance the analysis shall include both financial and non-financial key indicators (that is, KPIs), which are relevant to the specific business. Information on the environment and staff relations should be included. If necessary, references and complementary explanations about the presented figures should be provided.

Article 49.2 requires that the consolidated Management Commentary informs about the foreseeable evolution of the group of companies (orientation towards the future). In this section we can include aspects such as the "strategic objectives and strategies to achieve them" and "future prospects" (IIRC, 2011).

12 The last adjustments to the Securities Market Law *("Ley del Mercado de Valores")* have been made after the CNMV circulars; documents for public consultation with the new Circulars that will replace them are available.

Regarding financial instruments (article 49.3) objectives and policies for financial risk management should be considered, including policies used to cover every significant type of forecasted transaction for which hedge accounting is used, as well presentation of the company's price risk, credit risk, liquidity risk and cash flow risk (they could be combined with the presentation of KRI).

In addition, when the company required to formulate consolidated annual accounts has issued securities traded on a regulated market of any Member State of the European Union, it must include in the consolidated Management Commentary a specific section on corporate governance (article 49.4). Therefore, the corporate governance report is part of the Management Commentary. This content item corresponds to the "Governance and compensation" paragraph of the IIRC.

To develop integrated reporting, Management Commentary reports offer minimum requirements that can be extended in the way that the company deems appropriate. Standardization of a minimum of key financial and non-financial indicators as well as industry specific indicators will be necessary. With the development of a proper XBRL taxonomy this could be achieved. This document supports the option of integrating financial, environmental, social and corporate governance indicators (IS-FESG), which will be presented in the following sections. XBRL is important because, as the IIRC explains, "while Internet and the XBRL offer technological innovation, many corporate reports (even if they are online) are presented as if they were fully processed on paper." "Integrated reporting takes the advantages of digital standards to link information items and facilitate access to more detail where it might be appropriate." Therefore, the future of integrated reporting is associated with XBRL, as indicated by the IIRC itself in its *Discussion Paper*.

Another aspect that must be resolved in the medium term is the *assurance* or verification of the non-financial aspects included in the Management Commentary. In Spain, the auditor is responsible of checking that accounting information contained in the annual report agrees with the accounting data that has been used to prepare audited annual accounts. The auditor has no obligation to verify other information than that obtained from the audited accounting records of the entity. However, if contradictions or significant errors exist between the two types of information and after appropriate investigations the auditor concludes that the annual report is incorrect; administrators must resolve the contradictions or errors. If they refuse to include modifications, the auditor must describe the errors in the audit report.

An auditor in Spain cannot currently verify the Management Commentary except for the accounting consistency report. But as Argüelles (2007) explained, this is a topic that should not remain unresolved, and perhaps the most appropriate position is not to expect the same level of audit for financial statements than for the information of the *Management Commentary*. This is an issue that must be resolved not only in Spain, but at the international level.

However, as demand of assurance of non-financial information grows, large auditing firms will position themselves to take that role. In the short term, the lack of standards for this type of information means that the rigor expected of financial information cannot be guaranteed. However, given its growing importance, it is likely that emerging standards will appear (Eccles and Krzus, 2010). Therefore, we must pay attention to future standards on non-financial standards issued by organizations such as the IFAC, AICPA or Accountability, together with European Union and North American legislation.

5.3 Proposals for an application in Spain

Two scenarios proposed by the IIRC for the transition to integrated reporting at the international level have been reviewed. On the one hand, a compulsory direct implementation through the *King III* corporate governance code, issued in September 2009, as it has been done in the South African case. On the other hand, specific requirements of non-financial information presented in some countries (e.g. Denmark or Great Britain) but not complete integrated reporting.

Another option is experimentation with integrated reporting according to the existing legal requirements of the country. In Spain, as mentioned above, the document where this experimentation would have a better fit is the Management Commentary *("Informe de Gestión"* in Spanish or *Management Commentary* as it is referred by the IASB), given its minimal regulation and its content ambiguity. Moreover, to include integrated reporting in the Management Commentary would add commercial value to a document which traditionally has not enjoyed a significant attention from analysts and users of corporate information (it is usually a document where the company highlights its positive points and minimizes the negative aspects of their management).

Therefore, in a first phase, the implementation of integrated reporting in Spain through the Management Commentary (that is, to include in it a number of social, environmental, economic, governance or compensation indicators, as the IS-FESG proposed together with their qualitative development) will result in a substantial improvement in its quality. Institutional support from national supervisors and agencies, such as the Bank of Spain and the CNMV (Spanish National

Commision of Stock Market), or regulators, such as the ICAC (Institute of Accounting and Accounts Auditing, *"Instituto de Contabilidad y Auditoría de Cuentas"* in Spanish) would be essential for the success of this initiative in Spain as it would allow the country to become a global leader in the field.

6
THE INTEGRATED SCOREBOARD FOR FINANCIAL, ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE INDICATORS (IS-FESG)

The objective of the IIRC is to create a globally accepted framework of integrated reporting that brings together financial, environmental, social and corporate governance information. This would allow organizations to develop complete and understandable, prospective and retrospective information to meet the needs of a more sustainable global economy. For this reason, one of the most important elements to be incorporated into the information structure is IFRS, published also in XBRL format as the *IFRS Foundation.* Both the IFRS and the XBRL are intended to standardize financial information in order to promote transparency and improve the quality and comparability of business information.

The current situation is a foundational moment similar to the first attempts to formalize the accounting practices during the Renaissance period in which accounting and geometry came together by the hands of Fray Luca Pacioli and Leonardo Da Vinci. In this context, it is worth to rethink the model which allows us represent business reality as a set of indicators (Figure 1). An indicator can be defined as a piece of information, either quantitative or qualitative, which refers to a point in time or a period, in the past or in the future, to the company or to its relationships with its *stakeholders,* and can be framed, by its nature, in the financial, social, environmental or corporate governance field, among others.

Historically, and until recent times, these dimensions of business indicators, measured and presented in order to use them on internal management tasks or for external communications, have been used to a greater or lesser extent. If we increase a dimension ("complexity") and project the figure on a plane, like good geometricians, we would obtain Figure 2.

FIGURE 1: INDICATORS AS KEY PIECES OF BUSINESS COMMUNICATION

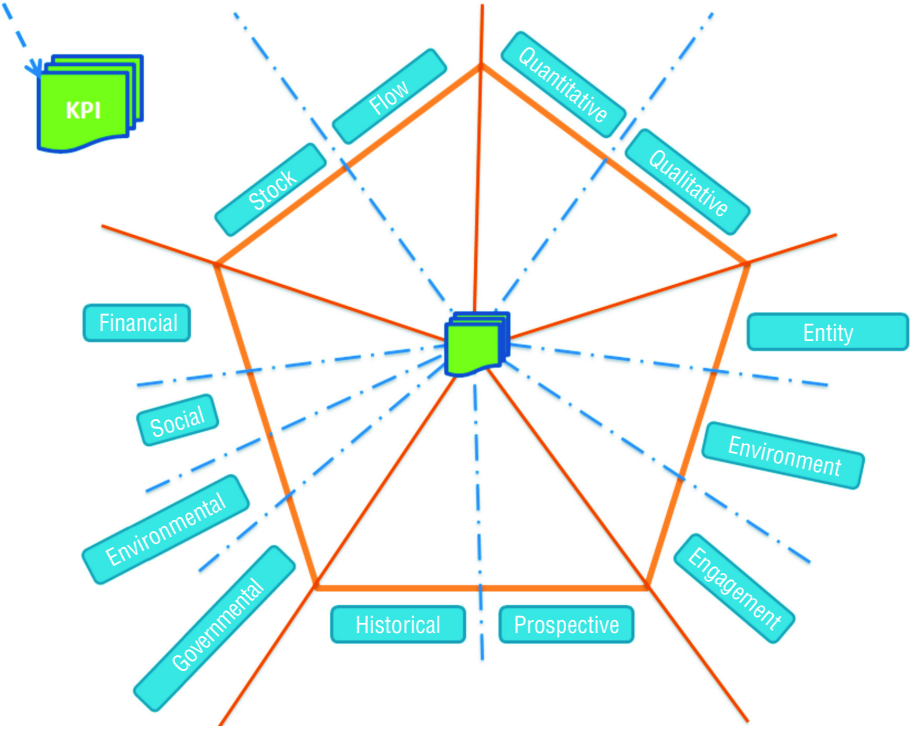
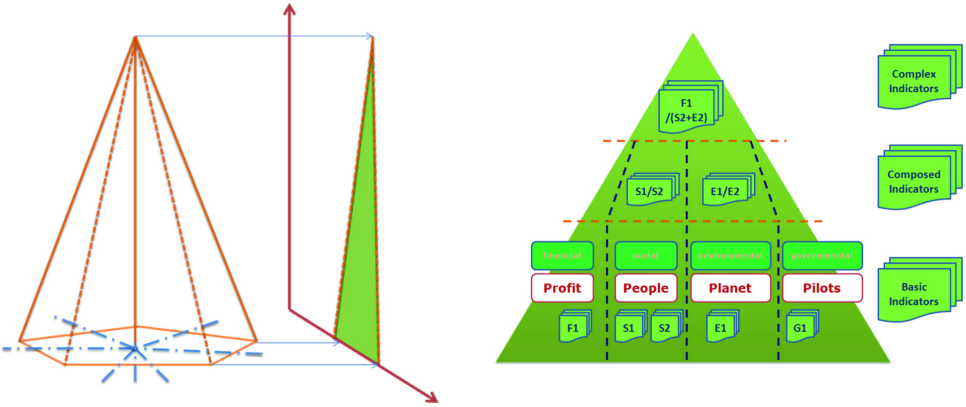
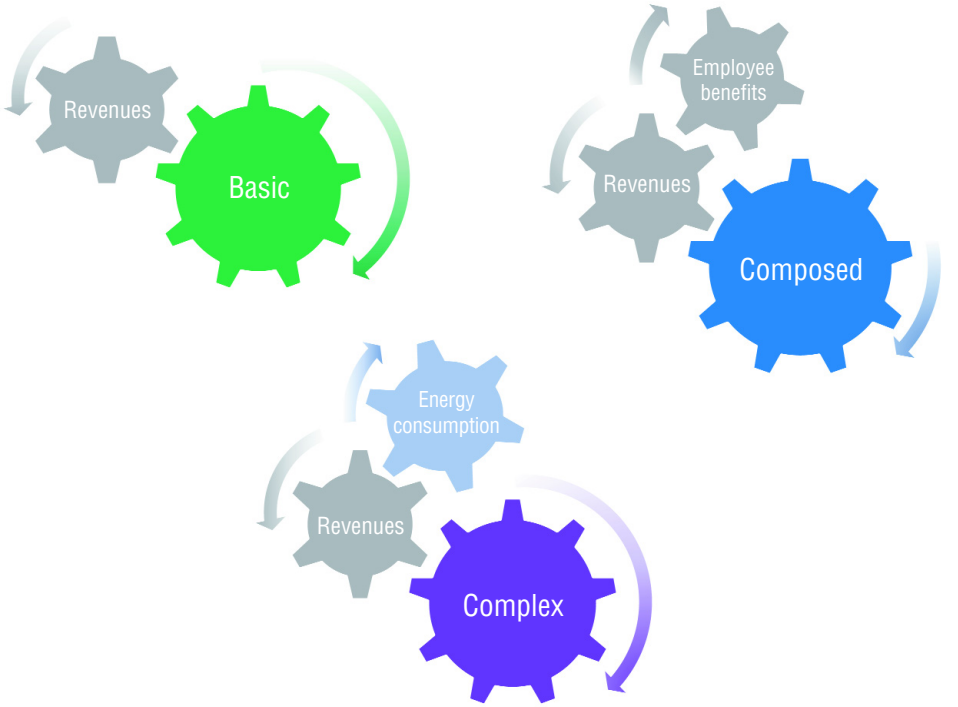


FIGURE 2: DIMENSIONS OF INDICATOR COMPLEXITY



If we identify each one of the indicator groups by their nature, by its acronym in English *financial-profit, social-people, environmental-planet* and *corporate governance-pilots,* we have a key of four P´s which corresponds to one of the sides of the Pentagon proposed above. If we operate with two indicators within one of the P´s, we would be evolving from basic indicators to composed indicators. If we combine indicators from different nature, we reach the complex indicator level, that is, the essence of the integrated report. Core indicators are expressed in absolute values. Composed and complex indicators come in relative terms, allowing comparisons between organizations and a high degree of interconnection between activity areas of the company. For example, it is possible to see if the path of sales growth is correlated with polluting emissions or job stability.

Figure 3: BASIC, COMPOSED AND COMPLEX INDICATORS



This is the structure of KPIs proposed in this document. It responds to the requirements of the *Discussion Paper* of the IIRC. In addition, KPIs are included in a higher-order schema denominated Integrated Scoreboard, consisting of:

- Strategic objectives.
- Key Performance Indicators (KPIs).
- Key Risk Indicators (KRIs).

All the indicators that make up the Integrated Scoreboard are based on the following points:

- They are corporate information pieces already managed by enterprises;
- They are relevant information for decision-making;
- They are related to other indicators with a great degree of detail; and
- They transmit information from the minimum level of analysis to a high degree of complexity.

Strategic objectives may be described as follows:

- Financial:
  - Economic efficiency.
- Environmental:
  - Energy efficiency and emissions.
  - Waste management efficiency.
- Social:
  - Human capital.
  - Social capital.
- Corporate governance:
  - Fair governance.

They are generic objectives materialized through the relevant KPIs for each area (Fig. 3) in two ways: either it is possible to check the degree of compliance of the objective with the actual data *(fulfillment),* or either there is increasing or decreasing trend of the actual data compared to the objective *(change)*.

The KRIs, which are also related to strategic objectives, are primarily designed for internal management. However, they are also in full connection with what will be reported outside of the company, facilitating future reports and the verification

processes. Such risk indicators have not been developed to the same level of detail as the KPIs, being possible that each company sets its own key risk indicators as long as they are in line with "loss events" in international references (Basel III, COSO, etc.). Contrary to KPIs (that represent the company's achievements), KRIs are warnings for the Corporation. According to advanced approaches such as Basel III Operational Risk concept, relevant drivers for measuring the level of risk are significant losses recorded by companies for various reasons (fraud, failure, damage to assets, natural disasters…). Such information allows creating various analysis scenarios and statistical systems to properly provision these risks. It is perfectly feasible to associate such information to the aforementioned areas (FESG) and relate them to the company's strategic objectives. However, it seems impossible, beyond this approach, to normalize KRIs with a greater degree of detail. The functionality dimension of the XBRL standard allows each company to establish its own indicators in this area.

Due to their sensitive nature, KRIs will be rarely published by the company. Expressing them in XBRL format is an attempt to homogenize all the information whether digitally published (KPIs) or not, but that can be available in an efficient format for company managers or financial supervisors (as it is happening to the banking industry through Basel III).

Also, within the scope of the KPIs, we should describe why complex indicators are useful. To do so this initial version of the IS-FESG taxonomy introduces some of them explicitly (e.g. the relationship between sales and polluting emissions) but the framework is flexible for companies to suggest and publish their own combinations, when it is significant the value or the evolution of the indicator This flexibility is possible thanks to the XBRL standard capabilities discussed below (Figure 4).

As a result of the research and progress of AECA in the CSR field and the reality of Spanish and international business reporting, and in response to all the requirements of the Discussion Paper, the initial proposal of IS-FESG indicators is (Figure 5):

Figure 4

RELATIONSHIP BETWEEN STRATEGIC OBJECTIVES, KPIs AND KRIs

INTEGRATED SCOREBOARD: FINANCIAL, ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE INDICATORS

STRATEGY, RISK AND PERFORMANCE FRAMEWORK

XBRL Taxonomy Architecture

KPI Frame

Generic strategic objectives	IS-KPIs
Financial	
Economic efficiency	KPI_F1 - KPI_F15
Environmental	
Energy efficiency and emmisions	KPI_E1 - KPI_E3
Waste management efficiency	KPI_E4 - KPI_E6
Social	
Human capital	KPI_S1 - KPI_S10
Social capital	KPI_S11 - KPI_S12
Corporate Governance	
Fair corporate governance	KPI_CG1-KPI_CG9

KPI Frame

Generic strategic objectives	IS-KRIs
Financial	
Economic efficiency	Defined by the company
Environmental	
Energy efficiency and emmisions	"
Waste management efficiency	"
Social	
Human capital	"
Social capital	"
Corporate Governance	
Fair corporate governance	"

XBRL Taxonomy General Chart

FIGURE 5

BOX INTEGRATED FINANCIAL, SOCIAL, ENVIRONMENTAL AND CORPORATE GOVERNANCE INDICATORS (IS-FESG)

KPI Frame

		Basic	Composed	Complex
Financial indicators				
Economic efficiency				
KPI_F1	Revenues	€		F1/S1
KPI_F2	Suppliers expenses	€	F2/F1	
KPI_F3	Added value	€	F3/F1	
KPI_F4	Employee benefits	€	F4/F1	F4/S1
KPI_F5	EBITDA	€	F5/F1	
KPI_F6	Financial expenses	€	F6/F1	
KPI_F7	Owners retribution	€	F7/F1	
KPI_F8	Income taxes	€	F8/F1	
KPI_F9	Economic contribution to the community	€	F9/F1	
KPI_F10	Public Administration expenses	€		
KPI_F11	I+D+i Investment	€	F11/F1	
KPI_F12	Total Investment	€	F12/F1	
KPI_F13	Profitability	%		
KPI_F14	Level of debt	%		
KPI_F15	Treasury shares	%		
Environmental indicators				
Energy efficiency and emissions				
KPI_E1	Energy consumption	GJ		E1/F1
KPI_E2	Water consumption	m^3	E2/E1	
KPI_E3	Polluting emissions	GEI	E3/E1	E3/F1
Waste management efficiency				
KPI_E4	Waste generation	t	E4/E1	
KPI_E5	Waste processed	t	E5/E1	
KPI_E6	Recovererd waste	t	E6/E1	
Social indicators				
Human capital				
KPI_S1	Employees	num		
KPI_S2	Gender diversity of employees	num	S2/S1	
KPI_S3	Top management positions	num	S3/S1	
KPI_S4	Gender diversity of top employees	num	S4/S3	
KPI_S5	Job stability	num	S5/S1	
KPI_S6	Absentee	num		
KPI_S7	Employee turnover	num	S6/S1	
KPI_S8	Net employment	num	S7/S1	S8/F1
KPI_S9	Seniority	num		
KPI_S10	Employee training	num		
Social capital				
KPI_S11	Legal regulation concerning customers	num		
KPI_S12	Payments to suppliers	num		
Corporate Governance indicators				
Fair corporate governance				
KPI_CG1	Board members	num		
KPI_CG2	Independent board members	num	CG2/CG1	
KPI_CG3	CSR board members	num	CG3/CG1	
KPI_CG4	Executive Committee	num	CG4/CG1	
KPI_CG5	Audit Committee	num	CG5/CG1	
KPI_CG6	Nominations Committee	num	CG6/CG1	
KPI_CG7	Meetings of the Board	num		
KPI_CG8	Total remuneration of the Board	€		CG8/F5
KPI_CG9	Gender diversity on Management Board	num	CG9/CG1	

6.1 Definition, presentation, considerations and references regarding the IS-FESG indicators

aeca Spanish Accounting and Business Administration Association

INTEGRATED SCOREBOARD OF FINANCIAL, ENVIRONMENTAL, SOCIAL AND CORPORATE GOVERNANCE

GENERAL DATA ABOUT THE ENTITY:

- **Identification data**
  - Entity name
  - Address
  - Country
  - Contactperson
- **Activity**
  - Activity sector (1)
  - Activity code(2)
- **Scope of theinformation**
  - Period covered
  - Coverage perimeter(3)

(1) Companies with a diversified activity, please, indicate the one with bigger stake according to the income.
(2) Several lists available: CNAE and NACE v2
(3) Indicate if the information is individual or in a consolidated basis, and the geographical scope it covers.

1. FINANCIAL INDICATORS* (15)

CODE	DENOMINATION	DEFINITION	PRESENTATION AND CONSIDERATIONS	REFERENCES
Economic efficiency				
KPI_F1	**Revenue**	Total revenues of the year	Presentation: Addition of all revenues coming from sales and services provided, work performed by the entity capitalized, increase (decrease) in inventories, from financial and non-financial investments and from selling intangible and tangible assets	EC1(GRI 3.1) 1(UNCTAD-ISAR) IFRS 2011 Taxonomy: IAS 1, IAS 18, IAS 28, IAS 31, IFRS 8, IAS 26, IAS 29
KPI_F2	**Suppliers expenses**	Expenses related to purchases and services	Presentation: Expenses related to purchase by suppliers and other operations Considerations: Includes acquisition of raw materials, services contracted, rents, licenses, taxes (excluding income taxes), royalties, freelance and sub-contracted workforce, training expenses (when the training is provided by a third party), protection equipment for the workforce, etc.	EC1 (GRI 3.1) 4(UNCTAD-ISAR) IFRS 2011 Taxonomy: IAS 1
KPI_F3	**Added value**	Addition of outflows to all stakeholders	Presentation: Revenue minus suppliers expenses Considerations: F1-F2	
KPI_F4	**Employee benefits**	Expenses related to employee compensation	Presentation: Employee expenses Considerations: Includes salaries and Social Security expenses	EC1 (GRI 3.1) 6(UNCTAD-ISAR) IFRS 2011 Taxonomy: IAS 1
KPI_F5	**EBITDA**	Earnings Before Interest, Taxes, Depreciation and Amortization	Presentation: Addition of profit or loss after taxes, plus financial expenses, income taxes and depreciation-amortization Considerations: F3-F4	
KPI_F6	**Financial expenses**	Financial costs	Presentation: Expenses related to liabilities Considerations: Includes all interests and commissions to be paid to financial institutions	IFRS 2011 Taxonomy: IAS 1
KPI_F7	**Owners retribution**	Dividends to owners/investors (Dividends to all shareholders)	Presentation: Dividends and similar retribution to investors, as proposal from Management Board to Shareholders Considerations: Dividends and similar amounts whose distribution has been proposed by the management to be agreed by shareholders	EC1 (GRI 3.1) IFRS 2011 Taxonomy: IAS 1, IAS 10
KPI_F8	**Income taxes**	Income taxes	Presentation Income taxes registered as expense	EC1 (GRI 3.1) 14(UNCTAD)-ISAR)

				IFRS 2011 Taxonomy: IAS12
KPI_F9	**Economic contribution to the community**	Donations and financial help, of altruist character	Presentation: Amount of contribution payments to the community Considerations: Includes all kind of donations	EC1 (GRI 3.1) 15(UNCTAD-ISAR)
KPI_ F10	**Total contribution to Public Administration**	Payments to public agencies	Presentation: Total payments to public agencies Considerations: Includes all kind of taxes paid to local, regional, national and supranational public administrations, considered as expenses or as an increas in assets, and included also those for which the company is just collecting taxes (i.e. VAT).	
KPI_F11	**I+D+I investment**	Economic contribution to research, development and innovation activities.	Presentation: Total expenses and increase of assets related to research, development and innovation activities.	IFRS 2011 Taxonomy: IAS 38
KPI_F12	**Total investment**	Net increase of assets	Presentation: Net increase of total assets Considerations: Total cash flow related to investment activities	IFRS 2011 Taxonomy: IAS 7
KPI_F13	**Profitability**	Return on Assets	Presentation: Profit (loss)of the year/ Equity	IFRS 2011 Taxonomy: Profit (loss) of the yearIAS 1, IAS 28, IAS 7 IFRS 1 IFRS 8Equity IFRS: IAS 1, IFRS 1
KPI_F14	**Level of debt**	Level of debt at the end of the year, divided by equity	Presentation: Current and non current liabilities / Equity	IFRS 2011 Taxonomy: Current and non current liabilities IFRS: IAS 1 IAS 31 Equity IFRS: IAS 1, IFRS 1
KPI_F15	**Treasury shares**	Book value of treasury shares	Presentation: Treasury shares / Equity Considerations: Book value of treasury shares of the parent company, owned by it, by subsidiaries or by any person under direction of any of these entities.	IFRS 2011 Taxonomy: Treasury shares: IFRS: IAS 1, IAS 32 Equity:IFRS: IAS 1, IFRS 1

2. ENVIRONMENTAL INDICATORS (6)

CODE	DENOMINATION	DEFINITION	PRESENTATION AND CONSIDERATIONS	REFERENCES
Energy efficiency and emissions				
KPI_E1	**Energy consumption**	Direct energy consumption in gigajoules (GJ).	Presentation: GJ of energy consumption Considerations: Will include renewable + non-renewable energy consumption See table of equivalences*	EN3(GRI 3.1), IC (UNCTAD-ISAR)
KPI_E2	**Water consumption**	Water consumption in cubic meters (m3)	Presentation: Water consumption in cubic meters (m3) Considerations: The sum of all water drawn into the boundaries of the reporting organization from all sources (including surface water, ground water, rainwater, and municipal water supply) for any use over the course of the reporting period.	EN8 (GRI 3.1), IA (UNCTAD-ISAR)
KPI_E3	**Polluting emissions**	Greenhouse gases emissions, directly deductible from energy consumption	Presentation: Greenhouse gasses in CO2 equivalent tons Considerations: To transform energy consumption into CO2 emissions, the ECODES** framework will be used	EN16 (GRI 3.1) IB (UNCTAD-ISAR)
Waste management efficiency				
KPI_E4	**Waste generation**	Waste generation, hazardous and non-hazardous	Presentation: Waste generation in tons Considerations: Weight in tons of hazardous waste (as defined by national legislation at the point of generation); and non-hazardous waste (all other forms of solid or liquid waste excluding wastewater).	EN22 (GRI 3.1) IE (UNCTAD-ISAR)
KPI_E5	**Waste processed**	Waste processed, over total residues generated	Presentation: Tons of waste processed Considerations: Processed waste is waste that has been re-used, recycled or re-valued.	EN10, EN22 (GRI 3.1)
KPI_E6	**Recovered waste**	Waste recovered	Presentation: Waste recovered in tons	

3. SOCIAL INDICATORS (12)

CODE	DENOMINATION	DEFINITION	PRESENTATION AND CONSIDERATIONS	REFERENCES
Human Capital				
KPI_S1	**Employees**	Employees with a labour contract	Presentation: Number of employees with a contract at year end	LA2 (GRI 3.1) 5 (UNCTAD-ISAR)
KPI_S2	**Gender diversity of employees**	Women with a labour contract	Presentation: Number of women with a contract at the year	LA2, LA13 (GRI 3.1)
KPI_S3	**Top management positions**	Employees with a labour contract in top management positions	Presentation: Number of employees with a contract in top management positions, at year end Considerations: Top management are defined as Management Board, CEOs and associated positions.	
KPI_S4	**Gender diversity of top employees**	Women with a labour contract in top management positions	Presentation: Number of women with a contract in top management positions, at year end Considerations: Top management are defined as Management Board, CEOs and associated positions.	
KPI_S5	**Job stability**	Employees with a permanent contract	Presentation: Number of employees with a permanent contract	LA1 (GRI 3.1) 5 (UNCTAD-ISAR)
KPI_S6	**Absentee**	Lost days due to any cause	Presentation: Number of days lost by absentee due to any reason lifework-related injury or disease or for non professional reasons for all the employees during the reporting period.	GRI 3.1
KPI_S7	**Employee turnover**	Employees who abandon the organization	Presentation: Total number of employees leaving employment during the reporting period. Considerations: All employees must be included in this calculation, regardless of contract type.	LA2 (GRI 3.1) 7 (UNCTAD-ISAR)

KPI_S8	**Net employment**	Employment generation or destruction	Presentation: New contracts – employee turnover Considerations: All employees must be included in this calculation, regardless of contract type.	
KPI_S9	**Seniority**	Years of permanence of employees in the company	Presentation: Average number of years of permanence of all employees	
KPI_S10	**Employee training**	Training received by the employees	Presentation: Number of training hours for the year Considerations: Refers to all kind of professional training and education, provided internally or externally (if it is paid totally or partially by the entity). Does not include regular training provided during work by supervisors.	LA10 (GRI 3.1) 10 (UNCTAD-ISAR)
Social Capital				
KPI_S11	**Legal regulation concerning customers**	Number of incidents of non-compliance with regulation concerning customers	Presentation: Incidents of non-compliance with regulations resulting in a fine penalty. Considerations: Incident is any complaint or claim which has a resolution by the competent authority (administrative, arbitration or judicial), although this resolution could be appealed by the organization. As issues related to customers, the following will be considered: impacts of products and services on health and safety during their life-cycle, information and labelling of products and services, marketing communications, advertising, promotion and sponsorship, privacy and leakage of personal data of customers.	PR2 (GRI 3.1)
KPI_S12	**Payment to suppliers**	Average invoices payment period	Presentation: Average number of days between invoice dates and payment dates Considerations: An approximation can be calculated as [average sale in suppliers / payments to suppliers] * 365	

4. CORPORATE GOVERNANCE INDICATORS (9)

CODE	DENOMINATIO	DEFINITION	PRESENTATION AND CONSIDERATIONS	REFERENCES
Fair corporate governance				
KPI_CG1	**Board members**	Number of board members	Presentation: Number of Board members	IAGC (CNMV)
KPI_CG2	**Independent board members**	Number of independent board members	Presentation: Number of independent board members Considerations: State how the organization defines 'independent' and 'non-executive'	IAGC (CNMV)
KPI_CG3	**CSR board members**	Number of independent board members with specific responsibility regarding CSR issues	Presentation: Number of independent board members with specific responsibility regarding CSR issues regardless if they form a CSR committee or not.	RSC$ (AECA)
KPI_CG4	**Executive Committee**	Number of members of Executive Committee	Presentation: Number of members of Executive Committee	IAGC (CNMV)
KPI_CG5	**Audit Committee**	Number of members of Audit Committee	Presentation: The Audit Committee is responsible for controlling and monitoring of external and internal auditors	IAGC (CNMV)
KPI_CG6	**Nominations Committee**	Number of members of Nominations Committee	Presentation: Number of Nominations Committee members	IAGC (CNMV)
KPI_CG7	**Meeting of the Board**	Number of meetings of the Board	Presentation: Number of meetings held by the Board annually	IAGC(CNMV)
KPI_CG8	**Total remuneration of the Board**	Board remuneration costs	Presentation: Remuneration paid to board members	IAGC(CNMV)
KPI_CG9	**Gender diversity on Management Board**	Women with a labour contract, that have a position in the Management	Presentation: Number of women at the Management level	LA13 (GRI 3.1)

KPI indicators defined above, are presented in **basic** form in absolute values with their corresponding monetary or physical units, along with **composed** form, in relative terms, dividing them by a pivot element in each area: F1 for financial items, E1 for environmental, S1 for social and CG1 for corporate governance ones.

5. COMPLEX INDICATORS (6)

Complex indicators were conceived, also in relative terms, to allow end users to monitor companies across areas. In some cases, it is not the value of a complex indicator which, itself, allows the analysis, but its evolution over time along with comparisons between companies and industry aggregations.

The following complex indicators are just an invitation to extend this family of operators according to the users 'needs.

CODE	DENOMINATION	DEFINITION	PRESENTATION AND CONSIDERATIONS
Complex indicators			
F1/S1	**Revenues/Employees**	Euros in revenue/Number of employees	Considerations Staff efficiency can be monitored
F4/S1	Employee benefits **/** Employees	Euros in employee benefits /Number of employees	Considerations Staff cost and its evolution can be analyzed
E1/F1	**Energy consumption /** Revenues	GJ of energy consumption / Euros in revenue	Considerations It allows analyzing how economic and environmental efficiency are related, even if the company incurs in losses.
E3/F1	Polluting emissions **/** Revenues	Emmissions / Euros in revenue	Considerations It allows analyzing how economic and environmental efficiency are related, even if the company incurs in losses.
S8/F1	Net employment **/** Revenues	Net increase in employement / Euros in revenue	Considerations It allows analyzing how economic efficiency and job creation are related, even if the company incurs in losses.
CG8/F5	Total remuneration of the Board **/ Gross profit**	Euros in Board remuneration / Euros in EBITDA	Considerations Board efficiency can be monitored

Annex to the INTEGRATED SCOREBOARD (CII-FESG)

References

(GRI 3.1): *Global Reporting Initiative framework 3.1*
(UNCTAD-ISAR): United Nations - Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting (ISAR)
(IAS-IFRS): *International Accounting Standards- International Financial Reporting Standards*
(IAGC-CNMV): Spanish Stock Exchange Commission. Rules for the elaboration of corporate governance annual report.

Environmental indicators

*** Equivalences table – Measurement units**

Carbon	GJ	**Crude oil**	GJ	**Gasoline**	GJ	**Natural gas**	GJ	**Electricity**	GJ
Metric ton	26,0000	barrel	6,2200	Gallon	0,1250	Therm	0,1055	Kilowatt/hour	0,0036
Short ton	23,5900	Metric ton	44,8000	Liters	0,0330	1000 cubic feet	1,1046	Megawatt/hour	3,6000
Large ton	26,4200	Short ton	40,6400	Metric ton	44,8000	1000 cubic meters	39,0100	Gigawatt/hour	3600,0000
		Large ton	45,5200	**Diesel**	GJ	MMBtu	1,0550		
				Gallon	0,1380				
				Liters	0,0360				
				Metric ton	43,3300				
				Fuel oil	GJ				
				Gallon	0,1440				
				Liters	0,0380				
				Metric ton	40,1900				

Source: *Global Reporting Initiative* (GRI 3.1) y adaptations from AECA.

** Conversion factors of energy consumption in CO2 equivalent emissions elaborated by ECODES – Ecology an development Foundation - from the analysis of different studies, measurement tools and international protocols, as: GHG Protocol, Department for Environment, Food and Rural Affairs (DEFRA) , etc.. This calculation is updated every year by ECODES and it is communicated to AECA, according to the collaborative framework.

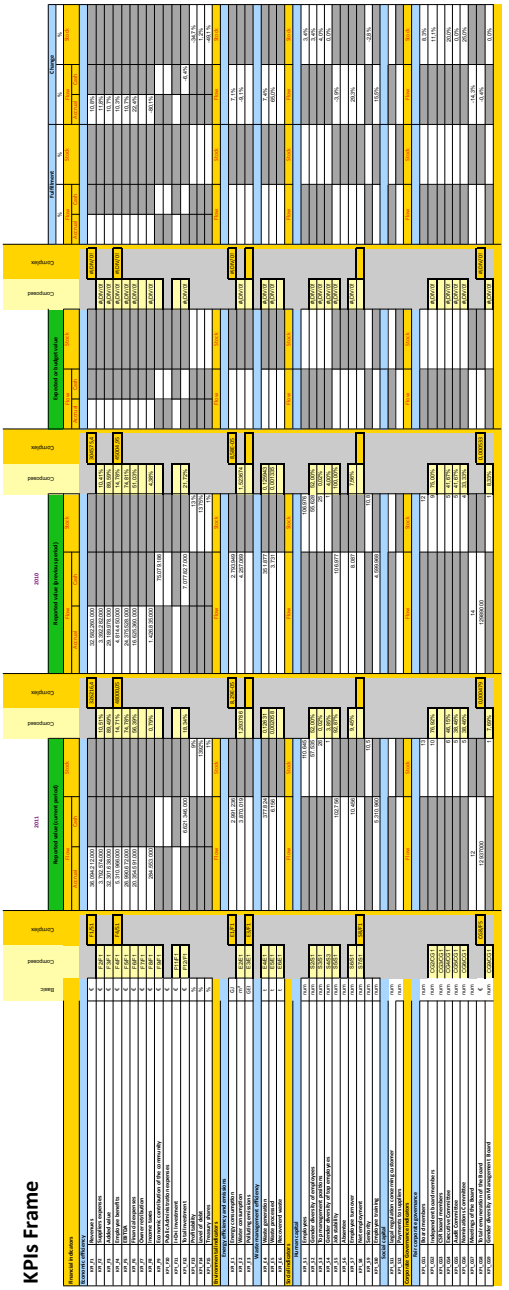
Types of energy and measurement units	Factor (Tons CO2)
Electricity (Kwh)	0,000390 [1]
Natural gas (m3)	0,002009
Gasoil (*heating*) (litros)	0,002761
Fuel (typical car) (Km)	0,000203

Example of application: Company XY.Inc.

Consumo de energía (año 20--) por el factor de conversión		Toneladas CO2 equivalentes
Electricidad	25.300 Kwh x 0,00039	9,867
Gas Natural	3.300 m3 * x 0,00209	6,897
Gasoil (heating)	4.000 liters x 0,002761	11,044
Fuel (coche típico)	3.000 Km x 0,000203	0,609
	TOTAL	**28,417**

For more information about reduction and compensation calculations in greenhouse gases, see CeroCO2 (), joint initiative for ECODES (www.ecodes.org) and Acciónatura (www.accionatura.org) .

6.2 Reported and expected values, fulfillment and change of the IS-FESG indicators



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KRIs frame

The entity will edit its own family of KRIs as a classification for loss data collection and evaluation.

			Event type							Total loss per type of event	MEMORANDUM ITEM: THRESHOLD APPLIED IN DATA COLLECTION	
			INTERNAL FRAUD	EXTERNAL FRAUD	EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	CLIENTS, PRODUCTS & BUSINESS PRACTICES	DAMAGE TO PHYSICAL ASSETS	BUSINESS DISRUPTION AND SYSTEM FAILURES	EXECUTION, DELIVERY & PROCESS MANAGEMENT		Maximum loss	Minimum loss
			1	2	3	4	5	6	7	8	9	10
Financial indicators												
Economic efficiency												
KRI_F1	...	Number of events										
		Total losses										
		Maximum single loss										
...	...											
Environmental indicators												
Energy efficiency and emmisions												
KRI_E1	...	Number of events										
		Total losses										
		Maximum single loss										
...	...											
Waste management effiency												
KRI_Ei	...	Número de eventos										
		Suma total de pérdidas										
		Maximum single loss										
...	...											
Social indicators												
Human Capital												
KRI_S1	...	Number of events										
		Total losses										
		Maximum single loss										
...	...											
Social Capital												
KRI_Si	...	Number of events										
		Total losses										
		Maximum single loss										
...	...											
Corporate governance indicators												
Fair corporate governance												
KRI_CG1	...	Number of events										
		Total losses										
		Maximum single loss										
...	...											

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7
XBRL TAXONOMIES FOR THE STANDARDIZATION AND DISSEMINATION OF FINANCIAL AND NON-FINANCIAL INFORMATION: CURRENT SITUATION

XBRL, *eXtensible Business Reporting Language* has become a digital standard for the electronic exchange of financial and business information. It has confirmed its role as facilitator in the adoption of international standards (IFRS, Basel II) and GRI (CSR) quality standards. The objective of the XBRL standard is the representation of financial information in digital format through the use of "tags" or "metadata" previously agreed in the context of the financial community. In principle, XBRL is derived from XML *(eXtensible Markup Language)* and is different from HTML *(Hyper Text Markup Language),* because the latter is only used for visual formatting of digitally transmitted information.

The use of this standard is common in the context of online communities. XBRL has become the digital standard that regulatory bodies at the international level expect for the representation of corporate information and its transmission to public information repositories. For example, the European Parliament has proposed to make mandatory the use of XBRL for the deposit of corporate accounts from 2018. In the case of Spain (an example of the European context) it has followed three phases since 2000:

- **Pre-legal.** It was an academic effort to popularize knowledge of the standard and to establish the first contacts with accounting and supervisory authorities.
- **Provisional-legal.** The XBRL begins to attract the interest of technology companies and auditing firms.
- **Final-legal.** Creation of taxonomies, stable membership of public and private organizations in Spain's XBRL Association and intense international activity at the European Union level make possible, among other advances, the extension of XBRL to other European countries, the publication of various taxonomies and the generation of millions of reports in XBRL language. Efforts focus on the presentation of financial information (financial statements from publicly listed companies, not-listed companies, some public sector organizations and financial institutions) and solvency supervision (exclusive for financial institutions).

These stages could be classified as the "Period of XBRL information supply growth", where the emphasis has been put on laying the essential institutional and technological bases for the standard to achieve its current degree of development. These advances have gone hand in hand with technical developments of the XBRL standard, allowing the representation of complex corporate reports demanded by European integration. Implementation of the IFRS XBRL by European Union listed companies and close collaboration between banking industry supervisors (European Banking Authority EBA / former CEBS - *Committee of European Banking Supervisors)* for the implementation of the Basel II Solvency Directive have also promoted the use of the XBRL information standard.

Currently, with a significant offer of XBRL reports, it is necessary to promote the use among the financial community. This is particularly so in the context of online social networks, where small investors can meet and discuss investment objectives. The challenge is to clarify what will be the key aspects during this "Period of XBRL information demand growth" that lies ahead.

These advances have been possible thanks to certain technical characteristics of the XBRL standard:

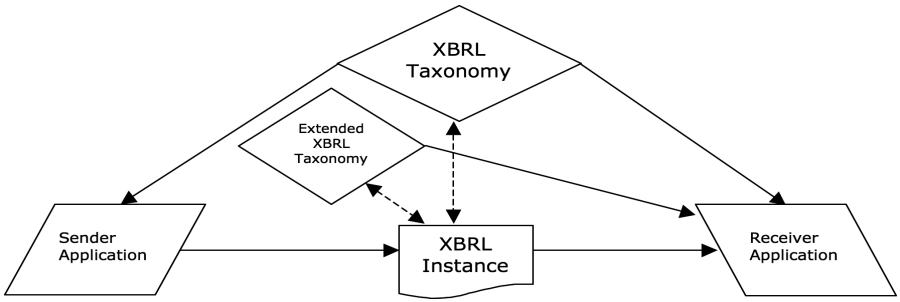
- **Extensibility:**

  The XBRL standard is based on the use of taxonomies. At the same time that a regulatory body issues regulations in natural language to be interpreted and applied by the financial community, a "digital version" can be published in XBRL form as a dictionary of elements and relationships. It can be published on the

Internet allowing applications to validate and process the content of XBRL reports (dotted lines in the figure) (6).

FIGURE 6

XBRL OPERATIONS



XBRL taxonomies can be extended. This means that a specific company may decide to add more elements to the dictionary in order to use those accounting items internally, or to publish a richer XBRL report, preserving all its comparability (as information of the initial common dictionary or original XBRL taxonomy elements are also reported). The *Securities and Exchange Commission* (SEC) of the United States allows companies to publish both standard XBRL reports and extended company taxonomies.

- **Dimensions:**

  Through this technology developed ad hoc to respond to multidimensional *reporting* needs of European banking supervisors (Eurofiling 2011) it is possible to report a given fact in relation to three or more categories or dimensions. Information can be therefore "deepened" while it is being reported. A clear example of its success is its inclusion in important international financial taxonomies: US GAAP, IFRS, COREP (and also the Spanish GAAP).

- **Formulas:**

  Since 2009 it is possible to incorporate complex mathematical or logical rules of business character to the XBRL environment (essential to reach a full integration of information).

Currently, regulators such as the Bank of Spain or the Bank of France are using formulas to impose complex validation rules, both to improve the quality of the information received and to facilitate the dissemination of these standards so that they can be processed as soon as they are emitted. Professional analysts, brokers or traders, hedge funds and investment funds, as well as a wide range of financial intermediaries, can use formula specifications to define their analysis and add value to raw information.

- **Data Point Model (DPM)**

In 2011 Data Point Model was born as a Eurofiling project to develop state-of-the-art multidimensional representation of information. It is not an extension of XBRL technology, but a doctrine that normalizes design of XBRL standard data definitions / dictionaries (taxonomies). It is based on the idea that a data point represents a measurable concept independent of the section where it is located (a financial concept can be present in various sections or in diverse functional areas). In all cases, data point identification and presentation of financial or non-financial statements should be the same.

Future versions of both FIREP 2012 and COREP taxonomies will base the definition of all their concepts on the Data Point Model.

- **Inline XBRL**

The *Rendering Inline* specification was born to address the growing need of representing corporate and financial information in a double format: automatically processed but also readable by humans.

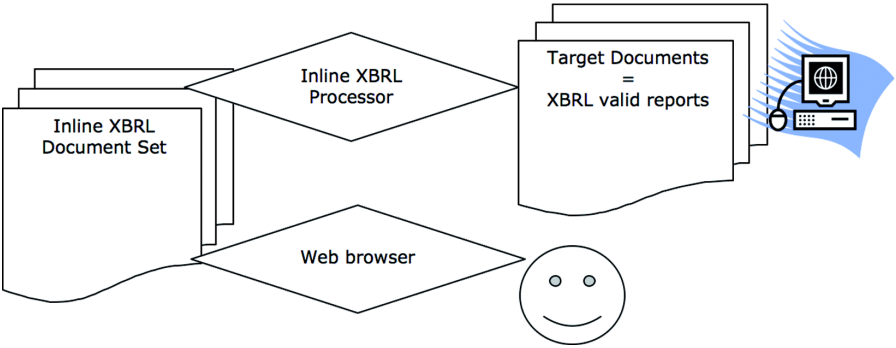
The task of presenting financial information in an actionable format is facilitated by the XBRL. However, this standard is primarily designed for the automated processing of the information and its use for monitoring and analysis tasks. Traditionally, the need to display data on screen was satisfied through application programs or specific dumps of information contained in XBRL reports to more visual formats (PDF or HTML-based Web pages). In this process of information dumping original meta-tags are lost (i.e. financial figures extracted from XBRL reports for visual formatting sacrifice their interoperability). Until now this has been the method used by regulators who have tried to facilitate both interoperability and the friendly display.

Inline XBRL was created to solve this problem. It provides users with the additional functionality of being able to view the XBRL reports as if they were an HTML Web page, using Internet browsers such as Internet Explorer, Google Ch-

rome and Mozilla Firefox. There is no need to lose the meta-tag information that allows information analysis in an efficient manner (Fig.7).

FIGURE 7

PROCESSING OF FILES FROM AND TO 'INLINE'



After this brief introduction to the most representative characteristics of the XBRL we can check how, especially since 2005, members of the XBRL working groups specialists in business and regulation ("domain") have worked with technical experts to ensure that the specifications of the XBRL standard reflect all the complexity inherent to an environment that is as dynamic as international corporate reporting. But the growing popularity of the XBRL standard is not only due to technical efficiency; it has also facilitated the expansion of international regulation standards. The use of the XBRL language for the first time as a tool of technological support is taking place with the development of new regulations or standards for which the XBRL facilitates the implementation process. It is already happening with policy initiatives such as the IFRS and the Basel II Standards, and also with extended quality reporting guides beyond financial information (e.g. the GRI - *Global Reporting Initiative* or the CSR initiatives of AECA - Spanish Association of Accounting and Business Administration).

As the official website of the *IFRS Foundation* explains, the vocation of the XBRL and the IFRS is common: the standardization of financial information to promote comparability and transparency in a joint initiative *(IFRS Foundation,* 2011). While the IFRS provides the conceptual framework to generate financial statements from business processes, the XBRL is the tool that allows you to specify which items of information are communicated (the IFRS are a rather general set of principles which do not reach this level of detail). A decade ago Bonsón (2001) argued for the joint expansion of both standards, technological (XBRL) and

accounting (IFRS), within the framework of the European Union. Now both tools have reached global acceptance.

According to the updated report of XBRL Planet (2011) (the Wiki project through which it is possible to visually track this joint development), the XBRL-IFRS tandem is reaching other countries (e.g. Australia). IFRS are already applied by listed companies of Brazil, Canada, New Zealand, South Africa, Turkey, and will soon also apply in Argentina, Korea and Mexico. They are permitted and there are processes of convergence with them in the United States, India, Indonesia, Japan, Russia and Switzerland. It should be noted that there are XBRL jurisdictions in most of these countries, either temporary or permanent.

It is also necessary to emphasize that the IASB has its own very active permanent jurisdiction, with initiatives such as the translation of the IFRS XBRL taxonomy to German, Arabic, Chinese, Korean, Danish, Spanish, French, Italian and Japanese, or the publication of the joint adoption of the standard and illustrative examples. The work of this jurisdiction is established through an annual calendar, incorporating stages open to external participation, such as the publication of drafts in the month of February, until the annual publication of the new version of the taxonomy in the month of April.

The advantages of XBRL financial information have also been perceived as desirable for other types of business information, such as information from Corporate Social Responsibility initiatives, which take into account a wider range of stakeholders.

The XBRL taxonomy being developed by the *Global Reporting Initiative* is a significant example. The GRI, an international organization based in Amsterdam which brings together a multitude of agencies, associations and companies, launched the *Global Reporting Initiative* to provide, through a system of disclosure of business information, a tool for sustainable development. The argument behind the initiative is that reporting of environmental and social information encourages companies to monitor more closely those areas and to compete between them for a better performance in the field. Currently, more than 1,000 organizations around the world organize its dissemination of information on the basis of the GRI's G3 Guide (that summarizes the disclosure according to the principles of the GRI).

The GRI is structured as follows:

- **Economic performance indicators:** report on generated and distributed value, costs, cash flow, financial risks, subsidies, investments and position in the market.
- **Environmental performance indicators:** report on natural resources and on waste issued and their treatment.

- **Social performance indicators:** report on labor practices including safety, health and training of employees, and respect for human rights, as recognized by the UN, especially in workplaces outside of developed countries. They also report on respect for regulations, payment of fines, and responsibility towards products, customers and the community (including minorities).

In the past four years, the Spanish Association of Accounting and Business Administration, AECA, through a joint effort of its Commission of New technologies and of Corporate Social Responsibility (CSR), has developed an international project that has received the full recognition of the XBRL Consortium: the creation of two XBRL taxonomies for CSR information, the General Scoreboard and Central Scoreboard.

- The General Scoreboard of Indicators (GS-CSR) is composed of nearly 500 indicators derived from a selection of twenty-five sources of national and international CSR information: codes of governance, sustainability indexes, codes of conduct, guidelines for the preparation of reports and certifications, etc. Indicators, qualitative and quantitative, are classified into eight groups: General company information, governing bodies, employees, customers, suppliers, community, environment and competition (AECA, 2009).
- The Central Scoreboard of Indicators (CS-CSR) consists of 27 key indicators *(Key Performance Indicators)* selected through an empirical study of good practices of international companies highlighted in their CSR reports. Indicators are exclusively of a quantitative nature and are classified into three main sections: economic (9), environmental (5) and social (13).

These two CSR taxonomies, unique in the world, can be applied to any company or public body in any country, given that only internationally recognized quality standards have been used in their development. It is available in English and Spanish and other translations are being prepared. In addition, companies or institutions that wish to complete and publish their CSR reports in XBRL format can make use of the Web repository maintained by AECA (AECA, 2011).

Thus, as the information available in XBRL grows and the range of *stakeholders* extends, it is becoming more necessary to have applications to process it and provide an input appropriate to the decision-making process.

The reality is that XBRL is becoming more and more the standard of the financial community. It accompanies the IFRS and other international norms and standards in their expansion (providing a successful and tested methodology of working groups) and facilitates their implementation in more explicit presentation formats. XBRL is a cornerstone of the use of corporate information for analysis. In particular, its nature as an open and royalty-free technology makes it parti-

cularly interesting for use by small investors. They only need an Internet connection to see corporate information and try to interpret it. This fact results in a greater democratization of the financial community and a narrowing of the *gap* existing between institutional investors and other investors. The extension of XBRL as a digital language for Corporate Social Responsibility reporting makes it attractive for other stakeholder groups (Bonson and Flores, 2011):

- XBRL has become the digital standard main regulatory bodies support at the international level for the presentation of corporate information and its transmission to the main public repositories.
- XBRL is the preferred digital language of the international financial community. Major regulators such as the Securities and Exchange Commission of the United States, the IFRS Foundation, the European Central Bank or the Spanish CNMV, have selected it as their digital language of choice. But the XBRL is not useful only for the transmission of financial information. It can also be used for other types of corporate reporting. As it was explained before, AECA has led an international project for the creation of XBRL Corporate Social Responsibility taxonomies recognized by the XBRL Consortium

In its *Discussion Paper* of 2011, the International Integrated Reporting Council (IIRC) has pointed out XBRL as a key technology for the future of integrated reporting. This gives continuity and validity to AECA's work in this area.

8
PROPOSAL OF THE IS-FESG-XBRL TAXONOMY

AECA's experience in the application of XBRL to CSR reports offers a great opportunity for the development of integrated reporting using the best available digital format (free of *royalties* and easy to integrate).

The IS-FESG taxonomy was born as a technological support option for the generation, transmission, and processing of financial, social, environmental and corporate governance information through a clear, concise, consistent and comparable format. This is supported by the already discussed general advantages of the XBRL standard and the design particularities selected for this specific reporting framework.

The use of the taxonomy enables companies to analyze and monitor their own performance, facilitating more accurate, faster and better quality decision-making. This solution allows increasing transparency and research in the field of Corporate Social Responsibility at the international level, adapts to the needs and proposals of the IIRC, and allows more efficient information processing than other solutions.

Initially integrated reports should be issued by national and international listed companies, and followed afterwards by non-listed / private companies and SMEs. The INTEGRATED SCOREBOARD can be properly integrated with existing financial taxonomies (IFRS and Spanish GAAP) offering specific entry-points depending on the legal nature of the company (that is, financial indicators adapt and are organized according to the selected financial taxonomy).

Also, thanks to their integration with the General Data of Identification (GDI) taxonomy, the Integrated Scoreboard (IS-FESG) offers the possibility to report on

the activities of the company that issued the report through the Spanish CNAE codes. Although European NACE codes are not included in the GDI taxonomy, thanks to the extension potential of the XBRL standard, the architecture of the IS-FESG taxonomy can be extended to offer any European company the possibility of reporting about activity code (figures 8 and 9).

FIGURE 8

ARCHITECTURE EXTENSION AND RECYCLING OF EXISTING INDICATORS

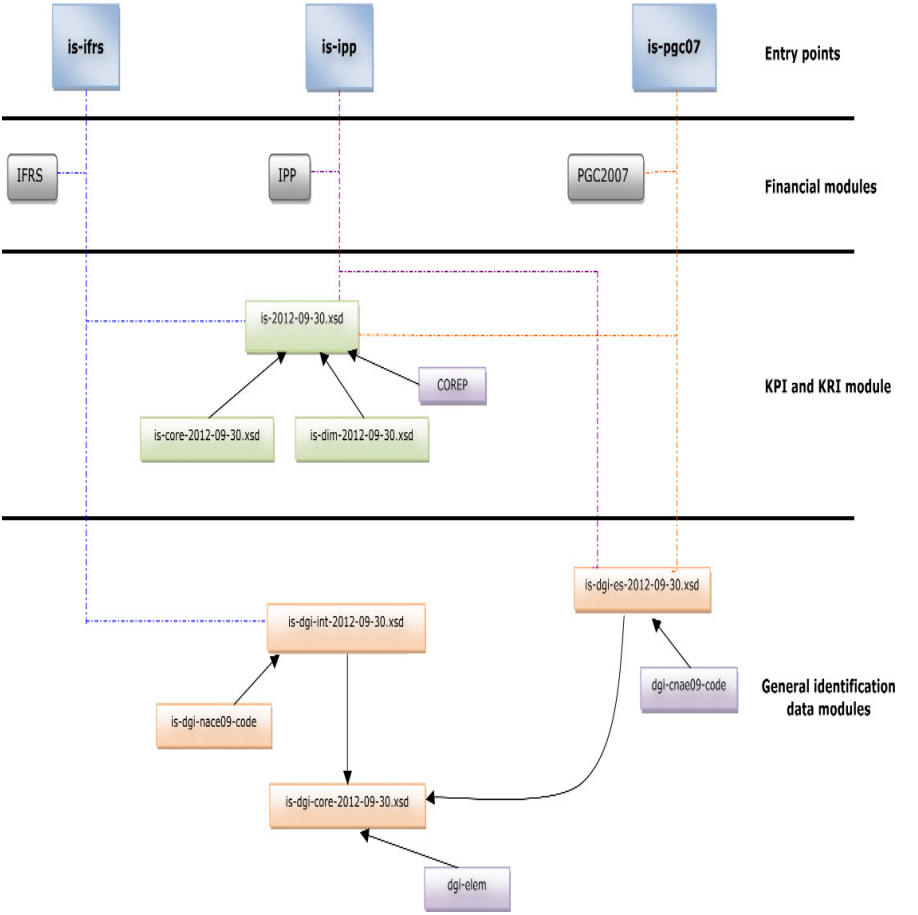
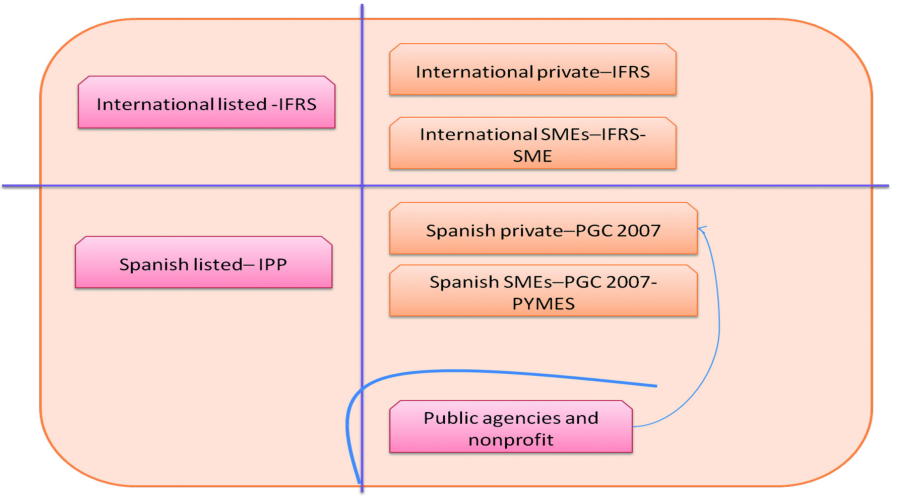


FIGURE 9
ENTRY POINTS FOR COMPLETING IS-FESG ACCORDING TO TYPE OF ENTITY



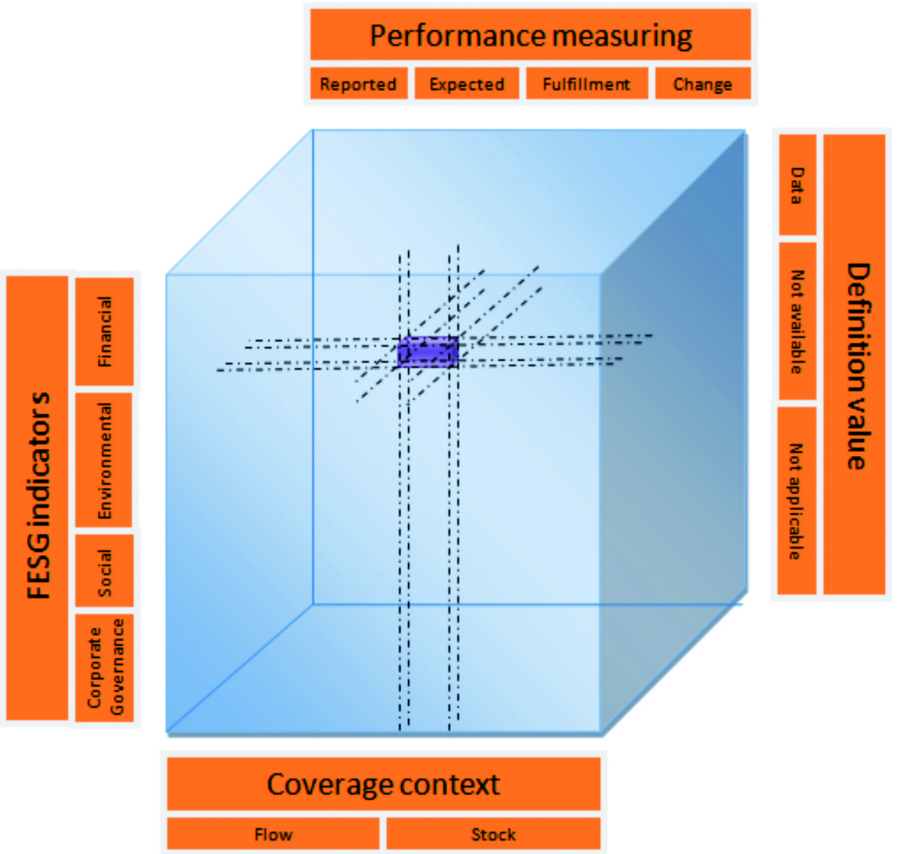
The different layers in which KPI indicators are organized represent the natural evolution towards multidimensional reports. It has been possible, through the Data Points Model (DPM) and the specification of dimensions and formulas, to develop a triple level of indicators (Basic, Composed, and Complex). Thanks to the possibility of inclusion of business rules, relationships between indicators are defined in the taxonomy, increasing the degree of report validation and their effective integration (Fig. 10).

FIGURE 10
INTEGRATION THROUGH DIMENSIONS AND FORMULAS

El uso de las especificaciones XBRL de fórmulas y dimensiones, junto con el modelado de punto de dato (DPM) para definir el Cuadro Integrado de Indicadores, es una muestra real donde los beneficios fundamentales de potencialidad, flexibilidad, facilidad de mantenimiento e integración se ponen de manifiesto. Es a través del *data point model,* en concreto como se representa cada concepto a medir, fundamentado en que un mismo concepto pueda incluirse en diversas áreas funcionales en base a la combinación que se realiza de cada dimensión (Figura 11).

FIGURE 11

DATA POINTS MODEL (DPM) IN THE INTEGRATED SCOREBOARD



The application of these digital standards has provided the taxonomy of the Integrated Scoreboard with five performance indicators frames, a risk frame and a total of 33 formulas:

KPI + strategic objectives

1) Basic Financial Frame.
2) Basic Environmental Frame.
3) Basic Social Frame.
4) Basic Corporate Governance Frame.
5) Composed and Complex Integrated Frame (the dimension which, in the conceptual model, carried the Pentagon to the vertex of the pyramid figure).

KRI + strategic objectives

6) Risk Indicators Frame, using open dimensions so that companies can create and name their own KRIs, aligned with the types of loss events extended from the COREP taxonomy (Figure 12).

FIGURE 12

RISK INDICATORS FRAME (KRI)

KRIs frame

The entity will edit its own family of KRIs as a classification for loss data collection and evaluatio

			EVENT TYPES							TOTAL EVENT TYPES	MEMORANDUM ITEM: THRESHOLD APPLIED IN DATA COLLECTION	
			INTERNAL FRAUD	EXTERNAL FRAUD	EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	CLIENTS, PRODUCTS & BUSINESS PRACTICES	DAMAGE TO PHYSICAL ASSETS	BUSINESS DISRUPTION AND SYSTEM FAILURES	EXECUTION, DELIVERY & PROCESS MANAGEMENT		LOWEST	HIGHEST
			1	2	3	4	5	6	7	8	9	10
Economic Indicators												
Economic efficiency												
KRI_F1	_	Number of events										
		Total loss amount										
		Maximum single loss										
_	_											
Social indicators												
Increase in Human Capital												
KRI_S1	_	Number of events										
		Total loss amount										
		Maximum single loss										
_	_											
Increase in Social Capital												
KRI_Si	_	Number of events										
		Total loss amount										
		Maximum single loss										
_	_											
Environmental indicators												
Energy efficiency												
KRI_E1	_	Number of events										
		Total loss amount										
		Maximum single loss										
_	_											
Pollution reduction												
KRI_Ei	_	Number of events										
		Total loss amount										
		Maximum single loss										
_	_											
Waste reduction												
KRI_Ej	_	Number of events										
		Total loss amount										
		Maximum single loss										

The architecture of the taxonomy promotes its extension with a dual purpose:

- From the company perspective that published the integrated report: it is interesting the possibility to extend the taxonomy through the inclusion of new columns (dimensions) or validation rules (formulas), to increase the complexity of the reports, and to adapt to the control requirements of investors and managers.
- From the financial analyst perspective, it is possible to use dimensional relations and / or formulas to perform specific analysis of company data at a taxonomy level without the need to carry out software modifications.

The IS-FESG taxonomy will be subject to XBRL International tests and will become an open resource for any corporation or institution to make use of it at a global level.

Despite country differences, XBRL is perceived as an advantageous standard by regulators at a global level. Its technical qualities and the working group development model of the XBRL project allows consensus among the financial community regarding how to name/define each piece of corporate information and what relationships exist between them.

The XBRL Consortium and various working groups continue researching technical developments to keep the standard up to date and ready to respond to growing reporting challenges. Proof of this are the developments of Inline XBRL, which allows enjoying a user friendly format on and the benefits of interoperability provided by the XBRL. Human users and *soft-bots* obtain full satisfaction of their needs with the same raw digital information.

For the above reasons, use and significance of XBRL as a language that enables global economic and financial integration is expected to increase.

9
TEST CASES. SPANISH LISTED COMPANIES PARTICIPATING IN THE IIRC 2012 PILOT PROGRAM

AECA has been leading various international theoretical and empirical studies on Corporate Social Responsibility, transparency and corporate and public governance. Traditionally, AECA researches business reality in order to illustrate and reinforce the validity of its studies. In collaboration with the *International Integrated Reporting Council* (IIRC), AECA is currently developing an XBRL taxonomy that is valid at the international level, useful for all kinds of companies and organizations (publicly listed and private), and that offers technological support in the generation, transmission and analysis of integrated reports (that is, reports that evaluate and present financial, social, environmental and corporate governance indictors). This taxonomy will be called the *Integrated Scoreboard of Financial, Environmental, Social and Corporate Governance indicators* (IS-FESG).

The purpose of the collection of test cases which will be presented is to give the taxonomy a test of applicability, ensuring that it is possible to report all data, load or process times are optimal and technical or concept errors are minimized.

Given the global impact of this project, test cases have been developed with information from real companies that not only support the development of the taxonomy but also face the challenge posed by the IIRC through its 2012 Pilot Program.

Sample: 5 publicly listed Spanish companies involved in the aforementioned pilot program (BBVA, Enagas, Inditex, Indra and Telefónica).

Data comes from their 2010 and 2011 financial reports. Basic and complementary information for the test cases is made up of public information available on the Internet.

Basic information: comes from the official website of the CNMV (financial and corporate governance indicators). The paths on the CNMV website are:

Home > Issuers and listed companies > Consultations to oficial registers > Issuers filings > Intermediate financial information

Supplementary information for environmental and social indicators has been obtained from annual reports or sustainability reports published by the corporations on their Web pages.

Limitation and verification: the test cases are academic material, not audited or verified.

AECA publishes these test cases together with this Disclaimer and the basic and complementary information. Test cases are complementary and inseparable from both.

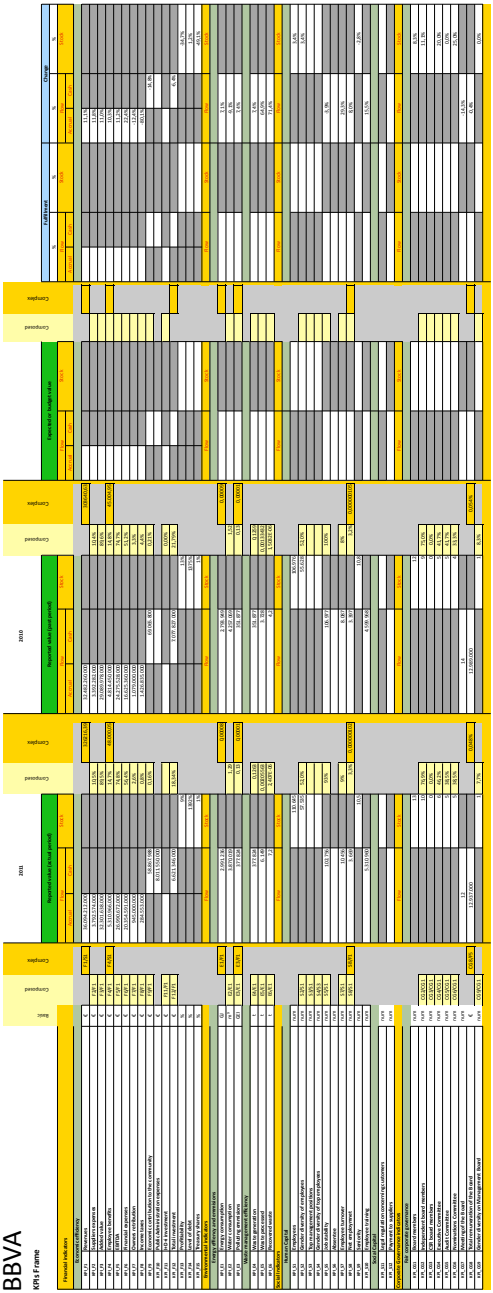
AECA, its Commissions or its members are not responsible for any errors or omissions, or for professional or commercial misuse of this material.

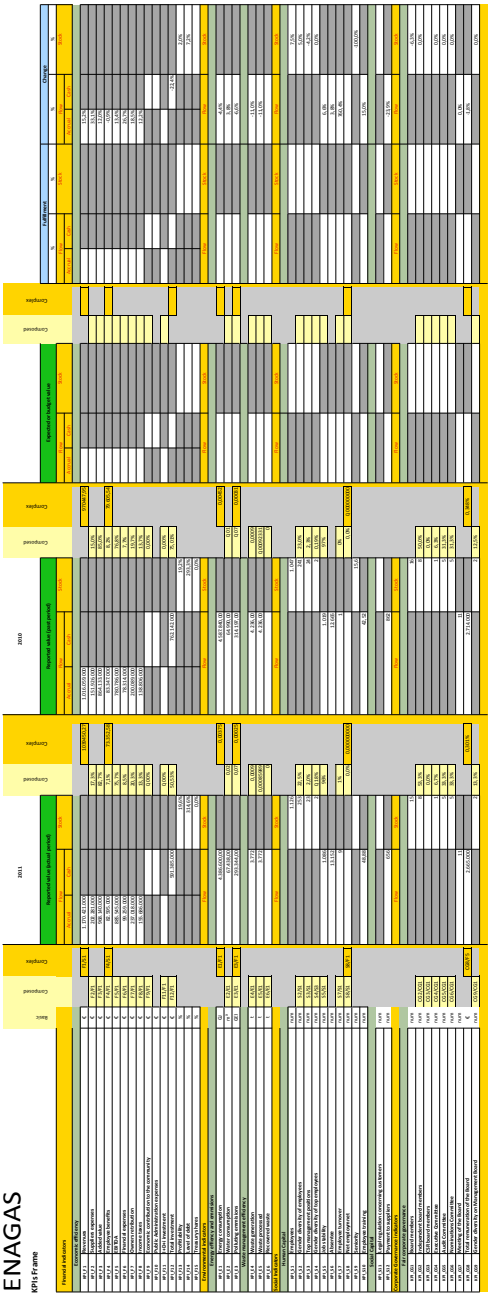
In the next pages we present the resulting IS-FESG reports. They can also be downloaded in original XBRL format in the following link:

http://www.aeca.es/IntegratedReportingProject/IS-FESG/XBRL_IS-FESG_reports.zip

From the test cases it is possible to extract the following conclusions:

- It is possible to achieve a very high degree of success when it comes to reporting the indicators proposed in the IS-FESG.
- Models of bank financial statements or insurance statements may hinder, due to their structure, reporting of key indicators such as EBITDA or Value Added.
- Tested companies report almost all proposed indicators, with some differences in terms of how to quantify and/or what unit of measure is adequate (for example, in the social area, expenditure on employee training is sometimes reported as an alternative to hours of training).


BBVA
KPIs Frame
For better visualization push here



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INDITEX

KPIs Frame

		Basic	2011			2010			Expected vs budget set			Difference			Change		
			Expected vs set (actual period)			Reported vs set (last period)											
			Value	Compared	Compliance	Value	Compared	Compliance	Value	Compared	Compliance	Value	%	Compared	Value	%	Compared
Financial indicators																	
Corporate efficiency																	
KP_F1	Revenues	€	14.845.000,000	100,0%	1	13.819.000,000	100,0%	1	13.712.787,000	100,0%	1	Error	8,1%	1	Error	8,1%	1
KP_F2	Operating assets	€	4.245.000,000	28,6%	1	3.925.000,000	28,4%	1	3.894.370,000	28,4%	1	Error	10,0%	1	Error	10,0%	1
KP_F3	Fixed assets	€	2.425.000,000	16,3%	1	2.225.000,000	16,1%	1	2.210.000,000	16,1%	1	Error	9,8%	1	Error	9,8%	1
KP_F4	Working capital	€	1.820.000,000	12,3%	1	1.700.000,000	12,3%	1	1.684.370,000	12,3%	1	Error	8,0%	1	Error	8,0%	1
KP_F5	EBITDA	€	2.571.000,000	17,3%	1	2.317.000,000	16,8%	1	2.310.000,000	16,8%	1	Error	11,3%	1	Error	11,3%	1
KP_F6	Financial expenses	€	13.000,000	0,1%	1	13.000,000	0,1%	1	9.000,000	0,1%	1	Error	44,4%	1	Error	44,4%	1
KP_F7	Financial revenues	€	18.000,000	0,1%	1	18.000,000	0,1%	1	20.000,000	0,1%	1	Error	10,0%	1	Error	10,0%	1
KP_F8	Profit before taxes	€	1.558.000,000	10,5%	1	1.304.000,000	9,4%	1	1.301.000,000	9,4%	1	Error	19,7%	1	Error	19,7%	1
KP_F9	Income taxes	€	616.000,000	4,1%	1	515.000,000	3,7%	1	514.000,000	3,7%	1	Error	19,8%	1	Error	19,8%	1
KP_F10	Profit after taxes	€	942.000,000	6,3%	1	789.000,000	5,7%	1	787.000,000	5,7%	1	Error	19,7%	1	Error	19,7%	1
KP_F11	Total investments	€	13.537,000			11.000,000			No deposit data								
KP_F12	Profit & loss	€	13.537,000			11.000,000											
KP_F13	Profit & loss	%	29,1%			27,1%											
KP_F14	Profit & loss	%	29,1%			27,1%											
KP_F15	Profit & loss	%	0,0%			0,0%											
KP_F16	Income taxes	€	1.148.000,000			9.000,000			9.000,000								
Financial indicators																	
Energy efficiency and emissions																	
KP_E1	Energy consumption	GJ	188.000,000			185.000,000			185.000,000								
KP_E2	Air pollutant emissions	t	1.000,000			1.000,000			1.000,000								
KP_E3	Water consumption	m3	856.000,000			856.000,000			856.000,000								
KP_E4	Waste generation	t	11.000,000			11.000,000			11.000,000								
KP_E5	Recycled waste	t	9.000,000			9.000,000			9.000,000								
KP_E6	Recycled waste	t	9.000,000			9.000,000			9.000,000								
Intangibles																	
Human Capital																	
KP_H1	Employees	num	100.000,000	100,0%	1	100.000,000	100,0%	1	100.000,000	100,0%	1	Error	0,0%	1	Error	0,0%	1
KP_H2	Average age of employees	num	27,000	79,0%	1	27,000	79,0%	1	27,000	79,0%	1	Error	0,0%	1	Error	0,0%	1
KP_H3	Top management positions	num	23,000	100,0%	1	23,000	100,0%	1	23,000	100,0%	1	Error	0,0%	1	Error	0,0%	1
KP_H4	Senior levels of the company	num	5,000	5,0%	1	5,000	5,0%	1	5,000	5,0%	1	Error	0,0%	1	Error	0,0%	1
KP_H5	Employees in training	num	60.000,000			60.000,000			60.000,000								
KP_H6	Absentees	num	9.000,000			9.000,000			9.000,000								
KP_H7	Absenteeism rate	%	9,000			9,000			9,000								
KP_H8	Part-time hired	num	9.000,000			9.000,000			9.000,000								
KP_H9	Employees leaving	num	9.000,000			9.000,000			9.000,000								
KP_H10	Employees hired	num	9.000,000			9.000,000			9.000,000								
Intangibles																	
Relationship with customers																	
KP_H11	Customer satisfaction	%	25,000			25,000			25,000								
KP_H12	Customers	num	5,000			5,000			5,000								
KP_H13	Complaints	€	0,700,000			0,700,000			0,700,000								
Governance																	
Relationship with shareholders																	
KP_G1	Board members	num	5,000,000			5,000,000			5,000,000								
KP_G2	Independent board members	num	5,000,000			5,000,000			5,000,000								
KP_G3	Chairman's salary	num	5,000,000			5,000,000			5,000,000								
KP_G4	Audit committee	num	5,000,000			5,000,000			5,000,000								
KP_G5	Number of meetings	num	5,000,000			5,000,000			5,000,000								
KP_G6	Attendance of the board	num	5,000,000			5,000,000			5,000,000								
KP_G7	Total remuneration of the board	€	5,000,000			5,000,000			5,000,000								
KP_G8	Remuneration of the board and	num	5,000,000			5,000,000			5,000,000								

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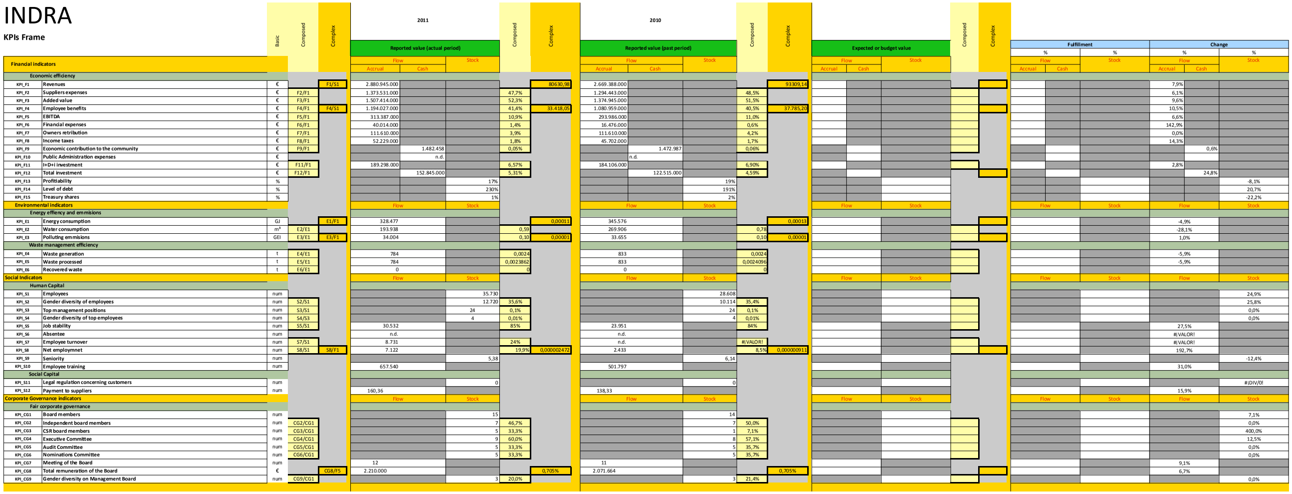

INDRA

KPIs Frame

		Basic	Composed	Complex	2011			Composed	Complex	2010			Composed	Complex				Composed	Complex						
					Reported value (actual period)					Reported value (past period)					Expected or budget value					Fulfillment			Change		
																				%		%	%		%
Financial indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
					Accrual	Cash				Accrual	Cash				Accrual	Cash				Accrual	Cash		Accrual	Cash	
Economic efficiency																									
KPI_F1	Revenues	€		F1/S1	2.880.945.000				80630,98	2.669.388.000				93309,14									7,9%		
KPI_F2	Suppliers expenses	€	F2/F1		1.373.531.000			47,7%		1.294.443.000			48,5%										6,1%		
KPI_F3	Added value	€	F3/F1		1.507.414.000			52,3%		1.374.945.000			51,5%										9,6%		
KPI_F4	Employee benefits	€	F4/F1	F4/S1	1.194.027.000			41,4%	33.418,05	1.080.959.000			40,5%	37.785,20									10,5%		
KPI_F5	EBITDA	€	F5/F1		313.387.000			10,9%		293.986.000			11,0%										6,6%		
KPI_F6	Financial expenses	€	F6/F1		40.014.000			1,4%		16.476.000			0,6%										142,9%		
KPI_F7	Owners retribution	€	F7/F1		111.610.000			3,9%		111.610.000			4,2%										0,0%		
KPI_F8	Income taxes	€	F8/F1		52.229.000			1,8%		45.702.000			1,7%										14,3%		
KPI_F9	Economic contribution to the community	€	F9/F1			1.482.458		0,05%			1.472.987		0,06%											0,6%	
KPI_F10	Public Administration expenses	€				n.d.					n.d.														
KPI_F11	I+D+i investment	€	F11/F1		189.298.000			6,57%		184.106.000			6,90%										2,8%		
KPI_F12	Total investment	€	F12/F1			152.845.000		5,31%			122.515.000		4,59%											24,8%	
KPI_F13	Profitability	%					17%					19%													-8,1%
KPI_F14	Level of debt	%					230%					191%													20,7%
KPI_F15	Treasury shares	%					1%					2%													-22,2%
Environmental indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Energy effiency and emmisions																									
KPI_E1	Energy consumption	GJ		E1/F1	328.477				0,00011	345.576				0,00013									-4,9%		
KPI_E2	Water consumption	m^3	E2/E1		193.938			0,59		269.906			0,78										-28,1%		
KPI_E3	Polluting emmisions	GEI	E3/E1	E3/F1	34.004			0,10	0,00001	33.655			0,10	0,00001									1,0%		
Waste management efficiency																									
KPI_E4	Waste generation	t	E4/E1		784			0,0024		833			0,0024										-5,9%		
KPI_E5	Waste processed	t	E5/E1		784			0,0023862		833			0,0024096										-5,9%		
KPI_E6	Recovered waste	t	E6/E1		0			0		0			0												
Social Indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Human Capital																									
KPI_S1	Employees	num					35.730					28.608													24,9%
KPI_S2	Gender diversity of employees	num	S2/S1				12.720	35,6%				10.114	35,4%												25,8%
KPI_S3	Top management positions	num	S3/S1				24	0,1%				24	0,1%												0,0%
KPI_S4	Gender diversity of top employees	num	S4/S3				4	0,01%				4	0,01%												0,0%
KPI_S5	Job stability	num	S5/S1		30.532			85%		23.951			84%										27,5%		
KPI_S6	Absentee	num			n.d.					n.d.													#¡VALOR!		
KPI_S7	Employee turnover	num	S7/S1		8.731			24%		n.d.			#¡VALOR!										#¡VALOR!		
KPI_S8	Net employmnet	num	S8/S1	S8/F1	7.122			19,9%	0,000002472	2.433			8,5%	0,000000911									192,7%		
KPI_S9	Seniority	num					5,38					6,14													-12,4%
KPI_S10	Employee training	num			657.540					501.797													31,0%		
Social Capital																									
KPI_S11	Legal regulation concerning customers	num					0					0													#¡DIV/0!
KPI_S12	Payment to suppliers	num			160,36					138,33													15,9%		
Corporate Governance indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Fair corporate governance																									
KPI_CG1	Board members	num					15					14													7,1%
KPI_CG2	Independent board members	num	CG2/CG1				7	46,7%				7	50,0%												0,0%
KPI_CG3	CSR board members	num	CG3/CG1				5	33,3%				1	7,1%												400,0%
KPI_CG4	Executive Committee	num	CG4/CG1				9	60,0%				8	57,1%												12,5%
KPI_CG5	Audit Committee	num	CG5/CG1				5	33,3%				5	35,7%												0,0%
KPI_CG6	Nominations Committee	num	CG6/CG1				5	33,3%				5	35,7%												0,0%
KPI_CG7	Meeting of the Board	num			12					11													9,1%		
KPI_CG8	Total remuneration of the Board	€		CG8/F5	2.210.000				0,705%	2.071.664				0,705%									6,7%		
KPI_CG9	Gender diversity on Management Board	num	CG9/CG1				3	20,0%				3	21,4%												0,0%

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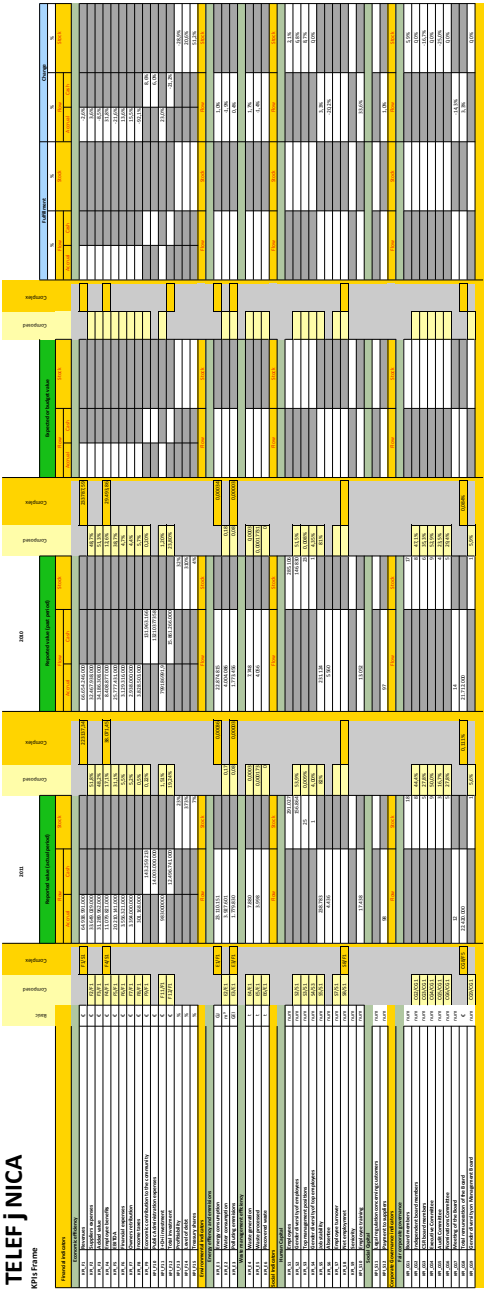

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ANNEX I

AECA COMMENTS TO THE IIRC DISCUSSION PAPER. (DECEMBER, 2011)

Comments to the IIRC Discussion Paper By the Spanish Association of Accounting and Business Administration (Asociación Española de Contabilidad y Administración de Empresas), AECA, Madrid, Spain

Comments provided by the Corporate Social Responsibility and New Technologies Commissions of AECA

The World has Changed – Reporting Must Too (page 4)

Q1. (a) Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/why not?

(b) Do you agree that this action should be international in scope? Why/why not?

Q1 (a): Yes, we believe. Company information is the resource that enables all the interested parties to determine the value of the entity, its financial situation and its profitability, past present and future; it constitutes the indispensable source for knowing the economic-financial reality of the company and its foreseeable evolution. But it is not possible for a company to survive if there is not a balanced monitoring of financial, managerial, social and environmental aspects of its activity, that is, if the company does not take care of a broad set of stakeholders, beyond a purely financial-economic view. So, as long as there is not a common set of standards to re-

cord and report key corporate information in an integrated way, that action is strongly needed.

Q1 (b): Sure. Only if a generally accepted framework for financial plus non financial information is issued and implemented, there will be possible to effectively compare companies and to achieve the essential analysis to make informed decisions. Additionally, national pre-existing projects and initiatives can be examined carefully, and must be taken into account in a global convergence process, using this international project as a channel to interchange these previous ideas and experiences.

Towards Integrated Reporting (page 6)

Q2. Do you agree with the definition of Integrated Reporting on page 6? Why/why not?

Yes, but a couple of elements should be also present in this definition:

- When mentioning that the Integrated Report might move to an online environment, a clear mention should be placed there that this report might be supported by online standards that effectively assure its interoperability. Not only human-readable formats but also software-readable version like XBRL.
- When mentioning the effective communication with stakeholders, a mention should be made to the fact that, today, in a Web 2.0 and social media environment, stakeholders should also participate in the elaboration and public collaborative analysis of an Integrated Report, as stated by Eccles and Krzus in its *One Report*. Then, the Integrated Report is something dynamic and should be placed in an online platform that allows participation.

An International Integrated Reporting Framework (page 8)

Q3. Do you support the development of an International Integrated Reporting Framework? Why/why not?

Q4. (a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

(b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

Q3: Definitively yes. It is an essential conceptual foundation to develop a coherent set of indicators for reporting.

Q4: (a) No. Because, while this scenario becomes a reality, first for listed companies, there is a big concern in Europe and worldwide, regarding the competitive situation of small and medium sized companies (SMEs) which ge-

nerate a major stake of welfare and employment. Additionally, the growing relevance of nonprofit organizations in the real economy and its cultural and social impact in social and cultural life in both developed and developing regions must be contemplated. For that reason, in our opinion, these entities should also be incorporated in the scope of all developments. In fact, Universities and other nonprofit entities have been the leading organizations reporting sustainability behavior (see Empirical Study on Spanish state of the art). It is also necessary to incorporate in future developments the way in which an Integrated Report will work in every industry –sector extensions procedure–. And it is also important to define ways for the Integrated Report to become required by regulators –procedures in main regions and dialogue with standard setters–. It is also recommendable to study several possibilities for a progressive and fast convergence between the Integrated Report and the current framework of regulatory files. The role of the management report or the management discussion and analysis disclosures can be relevant in this arena, and at an initial stage, to reach this goal.

(b) Not entirely, if they are not present since the beginning in the discussion process.

Business Model and Value Creation (page 10)

Q5. Are: (a) the organization's business model; and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting? Why/why not?

Q6. Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

Q5: Yes. These concepts are essentials to evaluate the capacity of a given company to survive and grow in the future, identify its competitive advantages and clarify its units and structures.

Q6: Yes. It provides a clear distinction between key inputs to production processes. It also invites to a set of measurement tools for each type of capital and to start thinking in a Statement of Multiple Capitals Position as an evolution from current Balance Sheets.

Guiding Principles (page 13)

Q7. Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

Yes, they are collectively and individually appropriate. But, in our opinion, assurance and auditing issues should also be more intensively contemplated within these principles, also with a clear presence among the Content Elements.

Content Elements (page 14)

Q8. Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

Yes, they are collectively and individually appropriate. But, taking into account how financial information is organized and how non financial information (strategy, context definition, non financial performance and prospects) could benefit from this previous background, there are some points to be highlighted when talking about Performance:

- It could be convenient to clarify more which this part consist of, with special attention to:
  - The use of statements of flow variables (evolving from our current income and cash flows statements)
  - The reporting of statements of position, and how they are connected with the definition of multiple capitals and their evolution (evolving from financial balance sheets)
- It is strongly necessary to require more concise and quantitative information. Qualitative information can play, in this context, the role that the *Notes to the Financial Statements* play under IFRS or other GAAPs.

In fact, this aspect is not anecdotic. In our opinion, the ability of the Integrated Reporting movement to popularize a set of performance indicators (financial, social, environmental and of corporate governance) is a key aspect in its success, given previous difficulties faced by the Enhanced Business Reporting and the Global Reporting Initiative (lack of comparability of company information when using primarily qualitative information to report performance).

- This Performance part should also incorporate specific explanation on measurement techniques and materiality policies, as it occurs with the Notes to Financial Statements regarding Accounting Policies.
- When creating KPIs and KRIs, balance criteria must be considered. This will evolve that way from un-balanced frameworks like GRI G3.1 (81 indicators, from which 9 Economic, 30 Environmental, Labor 14, Human Rights 11, Society 8, etc., along with indicators which classification is discussable like

"local hiring" which is classified as Economic when could also be considered as social in nature). A special focus must exist in create only quantitative indicators with narrative support when needed, instead of qualitative indicators impossible to analyze effectively.

- The Future Outlook should be represented by means of budgets and prospective statements that were coherent with those used in the Performance section, in order to achieve appropriate comparisons and measure deviations.

It is also worth to note that Future Outlook contents were the less precise and complete according to our enclosed Empirical Study. As long as this information about the future is very important in the new proposed framework, and considering also that this kind of data is not traditionally provided according to accounting rules and other standards, it is necessary to pay major attention defining these Future Outlook contents, pursuing accuracy and quantitative approach.

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policy-makers, regulators and standard-setters – page 23, Other perspectives – page 24)

Q9. From your perspective:

(a) Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

(b) Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

(c) Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

From our double perspective of reporting organization and also being an organization which is listened when standard setters prepare regulation at the national and international level:

Q9 (a): Yes, but it can be recommendable to provide the sources for this list of benefits. Which companies identified these advantages?

Q9 (b): Yes but it is possible to point out some other challenges:

- The need for specialized and integrated assurance and auditing, and the need to introduce improvements respect to the different levels of assurance that exist in the current separate reports.
- The need to use an understandable language when reporting, to provide a report accessible to all kind of stakeholders.

- The need to provide time series to support forecasts. The risk of providing too optimistic prospects.

Q9 (c): Yes, but only if the format in which this information is provided is interoperable: that is, if measurement methods are also disclosed along with the data, and that also the data is provided in a standardized digital file.

Future Direction (page 25)

Q10. (a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

(b) What priority should be afforded to each action? Why?

Q11. Do you have any other comments that you would like the IIRC to consider?

Q10 (a): Yes, this plan is appropriate and comprehensive.

Q10 (b): In our opinion, the Harmonization should have assigned a strong priority, as long as it is a key part to guarantee and integrated reporting at the global level. This will be intrinsically linked to the Measurement and reporting practices, from which results can the Harmonization be built.

Q11: Yes. It is the aim of the AECA to continue its collaboration with the IIRC in the elaboration of the conceptual framework and in the dissemination of this practice worldwide. But we perceive some risks that would like to face, as will be explained.

Since 1991, there were several projects which aim was to respond to this demand. In that year, the AICPA (American Institute of Certified Public Accountants), amid growing demands for an improved corporate reporting model established the Special Committee on Financial Reporting which is also known as the Jenkins Committee. This discussion forum was set up to analyze users' increasing demand for business information (focusing on investors and lenders) and develop the content of company business reporting to accommodate users' needs. In order to reach this goal, the committee created the EBR (Enhanced Business Reporting) framework. This framework organizes the disclosure of additional information not currently covered by Generally Accepted Accounting Principles (GAAP). The EBR Framework recommends companies to disclose information on corporate responsibility, in both its main perspectives: respect and protection of the natural environment, and commitment to social, ethical and charitable principles. In addition, the EBR framework stresses the importance of information technologies and suggests companies should explain how they ensure their technologies are operating

as intended and how integrity and reliability of information are assured. This reporting framework also contained disclosure items related to the analysis of the environment and the strategy of the company, combining historical and prospective reporting items.

Subsequently, in 1997, an international organization based in Amsterdam, bringing together numerous agencies, associations and enterprises, launched the Global Reporting Initiative or GRI. At present, over 1,500 organizations around the world organize the dissemination of information based on the GRI guidelines that summarizes the disclosure under the tenets of GRI. GRI proposes a set of indicators of economic performance, environmental behavior and social aspects.

Despite these indispensable previous steps and efforts, the lack of concreteness and concision of the resulting generated report was as such that, if in one hand the availability of corporate social responsibility information from companies increased, in the other hand it was completely impossible to compare these reports across the time and the organizations, and these organizations do not easily perceive a clear return on the investment required to measure and report these indicators.

The Spanish Association of Accounting and Business Administration (AECA) has been the first global institution that promoted the use of the XBRL standard (eXtensible Business Reporting Language), for the production and submission of corporate social responsibility information by internet. XBRL is a language for the electronic communication of business data which is revolutionizing business reporting around the world. It provides major benefits in the preparation, analysis and communication of business information. It offers cost savings, greater efficiency and improved accuracy and reliability to all those involved in supplying or using financial data. The idea behind XBRL, is simple. Instead of treating financial information as a block of text –as in a standard internet page or a printed document– it provides an identifying tag for each individual item of data. This is computer readable. For example, company net profit has its own unique tag. The selection of tags and the relationship between them (human-readable tags in different languages, calculations, references to legal texts, etc.), which consist in an XBRL taxonomy, is the task of the consortia when organized to design the reporting framework. The introduction of XBRL tags enables automated processing of business information by computer software, cutting out laborious and costly processes of manual re-entry and comparison. It is an open standard, free of royalties, with a major acceptance by European regulators. That is why XBRL plays an interesting role when promoting and implementing new standards, like the IFRS. Currently, the availability of XBRL taxonomies and reports invites to a next step in XBRL development: its mining, preferably by means of open access tools.

In recent days, the aim of the IIRC is to create a globally accepted integrated reporting framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format.

The aim is to help with the development of more comprehensive and comprehensible information about organizations, prospective as well as retrospective, to meet the needs of a more sustainable, global economy. For that, one of the most important items to be incorporated to the reporting framework is the set of International Financial Reporting Standards, issued also in XBRL format by the IFRS Foundation (IFRS Foundation, 2011). Both IFRSs and XBRL are intended to standardize financial reporting in order to promote transparency and to improve the quality and comparability of business information, therefore the two form a perfect partnership.

With previous international experience of AECA applying also XBRL to CSR reports, there exists a great opportunity to develop this integrated reporting framework also in the best digital format, free of royalties and using open technologies.

But, while this scenario becomes a reality, first for listed companies, there is a big concern in Europe regarding the competitive situation of small and medium sized companies (SMEs) which generate a major stake of welfare and employment. With the aim to provide a realistic first step in the proposed direction, and to contribute with an scenario in which SMEs could gradually acquire the skills that will be needed in the new framework, the aim of AECA is to perform an international XBRL project that will provide an integrated reporting toolkit for both listed and SMEs based on:

- The availability of International Financial Reporting Standards for both listed and Small and Medium Sized companies, along with national equivalent taxonomies for financial data.
- The existence of internationally acknowledged framework of Corporate Social Responsibility for both listed and SMEs proposed by AECA, and acknowledged by XBRL International.
- The advantages of XBRL and open source applications to promote the integrated reporting and an efficient validation, reutilization, rendering, sharing and analysis from corporate data.

The technical and conceptual applicability of this proposal will be tested with real companies, and reported to the pertinent interesting parties, like the IIRC and the IFRS Foundation.

This contribution will be divided in two parts: a ***conceptual proposal*** for KPIs (financial, social, environmental, corporate governance and remuneration), and in the other hand, being firstly applied to that, a tested ***XBRL architecture*** that will also be available to be used in the forthcoming IR XBRL Taxonomy.

This project will provide the IIRC with new data on technology driven company reporting and will enrich the possibilities of collaboration among those mentioned standard setters and consortia. So, as long as the IIRC will open more op-

portunities to publicly contribute with answers and comments to their issued documents, AECA will provide and update of this developments.

IFRS Foundation 2011. http://www.ifrs.org

CSR in XBRL by AECA 2011. http://www.aecareporting.com

XBRL. http://www.xbrl.org

ANNEX II

CONCLUSIONS OF THE EMPIRICAL STUDY 'THE INTEGRATED REPORT: FIRST APPROXIMATIONS TO ITS APPLICATION. THE SPANISH CASE'

(LIZCANO, J.L., FLORES, F. and REJÓN, M.) (2011)

The empirical study has as its main objective to analyze the differences between conceptual IIRC proposals, reflected in its Discussion Paper and what Spanish companies that published an integrated report in 2011 currently understand for integrated reporting. In these crucial moments for the implementation of integrated reporting we intend to shed some light on the gap or distance between the first conceptual approach to integrated reporting and what the information developers understand as such.

The findings may help identify fundamental deviations and correct them, prompting reactions to assure the correct development of integrated reporting in the future[13].

Conclusions

1 - The sample makes it clear that: i) Companies and organizations that published an integrated report are a minority. They represent only 28.5 per cent of the total of 56 organizations that registered on the GRI in 2010. (ii) However, given the recent introduction of the concept of integrated report it is significant that already 16 Spanish organizations have declared their preference for this report. (iii) Integrated reporting has gathered interest not only from large publicly traded compa-

13 The complete study can be consulted in *www.aeca.es*

nies but also from non-profit organizations (therefore such organizations must be taken into account as potential recipients of guidelines on integrated reporting). (iv) Reporting organizations in the sample are sufficiently diverse to reject a predominance of any industry in this regard (contrary to what it happened with sustainability reports).

2 - Of a total of 16 organizations, 12 (75%) reported external verification of its non-financial information. This indicates that organizations that already demonstrate a special interest for the quality of their reporting are sensible to integrated reporting.

3 - In general, reporting organizations not in the denomination of your report include the condition of integrated, being the most used title of annual report. On the other hand, the length of the analyzed reports varies depending on the type of organization and activity, not identifying a clear pattern in this respect according to the sector or size of the company or entity.

4 - The type of integrated report that prevails is either the sum of various documents or a mere link to several reports: financial report + sustainability report + Corporate Governance report. The integrated report has emerged as a voluntary exercise to put together various reports pre-existing, rather than as a unique interest or need to publish an integrated, relevant, and cohesive document.

5 - Content is scattered throughout the various reports submitted in an integrated manner. None of the analyzed reports sort contents according to the proposal of the *Discussion Paper* of the IIRC (see Table 1 of the study).

6 - Although it is generally recognized as a key area of corporate reporting and a key section by DP, there is no mention of assurance or verification by independent experts among the reports (see Table 1 of the study).

7 - In broad terms, the integrated reports include the contents proposed by the *Discussion Paper* of the IIRC. However, businesses obtain a considerably higher valuation than other organizations (the latter group is below the global average for all content blocks). This means that businesses are closer than non-profit organizations to the information model proposed by IIRC.

8 - With the exception of two cases, businesses are above the general average in accuracy and completeness of contents while other organizations, with the exception of one case, are below that average.

9 - The contents on Business Models and Strategic Objectives are the most accurate and comprehensive among the analyzed reports. The majority of businesses and some non-profit organizations reach values above the overall average. By contrast, Corporate Governance and Future Prospects contents obtain below average ratings (only one business obtains scores above the overall average).

10 - Accurate and complete content among businesses is found at the Business Model, Context, Strategic Objectives and Corporate Governance and Compensation content blocks, while blocks on Performance and Future Prospects are less accurate and complete, with values below the overall average (3.17).

11 - The segment of non-profit organizations does not reach the general average for any of the content blocks. Only in Performance block results slightly exceed the average obtained by the business segment, although they do not exceed, in any case, the general average.

12 - Greatest distance between businesses and non-profit organizations is found in the Context block. This can be interpreted as a lower concern about the competitive environment by the non-profit organizations.

13 - Two content blocks, Comparison of Performance with Reference to Future Data and Results / Forecasts for the Future, obtain the worst ratings for all types of organizations. Corporate Governance Overview and Performance Comparison with Past Data obtain the highest rating for all organizations. Forward-looking information is the great challenge of integrated reporting.

14 - Non-profit organizations obtain the lowest score in Attitude Towards Risk and Description of the Main Risks and Opportunities. This reveals the less competitive and more stable context for nonprofit entities, compared with businesses.

15 - Finally, inclusion of the Key Performance Indicators (KPIs, KRIs) of quantitative nature is not widespread. They are classified in very different ways making it difficult to compare between organizations.

ANNEX III

THE INTERNATIONAL INTEGRATED REPORTING COUNCIL-IIRC

Among the most important initiatives for the development of Integrated Reporting is the creation of the International Integrated Reporting Counci. Given its characteristics, its demonstrated global leadership and the expected impact of its proposals, we explain the origin, mission, objectives, structure and functioning of the IIRC[14].

Origins

In August 2010, the *International Integrated Reporting Committee* (IIRC) was created to address the growing demand of transparent and integrated financial and non-financial information and to respond to the consequences of the worst economic crisis of recent times. During 2009 institutions and individuals converged on the idea of founding an organization that fostered the development and implementation of *Integrated Reporting* at a global level. To this end the Prince of Wales hosted an international meeting with investors, standardization bodies, companies, accounting firms and representatives of the United Nations. In the meeting it was decided to launch a project led by *The Prince's Accounting for Sustainability Project* and the *Global Reporting Initiative* constituting, along with other institutions, a global organization to define a generally accepted framework on integrated reporting.

Mission and objectives

The **Mission** of the IIRC is formulated as follows:

> «The Mission of the IIRC is stated in the following terms: "to create a generally accepted framework on corporate information that integrates fi-

14 Information extracted from the IIRC Web *www.theiirc.org*.

nancial, environmental, social and corporate governance information, in a clear, concise, consistent and comparable format." "Its main objective is to help develop comprehensive and understandable information about organizations, both prospective and retrospective, in order to meet the needs of a global and sustainable economy». *(www.theiirc.org)*

The IIRC main **functions** are:

- Reach a consensus among governments, listing authorities, business, investors, accounting bodies and standard setters for the best way to tackle the challenges of Integrated Reporting;
- Identify priority areas where additional work is needed and provide a plan for development;
- Develop an overarching Integrated Reporting framework, which sets out the scope and key components of Integrated Reporting ('the <IR> Framework');
- Consider whether integrated reporting should be voluntary or mandatory;
- Promote the adoption of Integrated Reporting by relevant regulators and report preparers.

Objectives

The IIRC makes the case for integrated information to address the shortcomings of current models of corporate reporting. Integrated reporting should provide a comprehensive view of the behavior and performance of businesses and organizations in all dimensions of their activities (social, environmental, economic and Corporate Governance) with both risks and opportunities connected with their strategy and business model.

"Current rules of corporate information such as the International Financial Reporting Standards (IFRS) or the Generally Accepted Accounting Principles (U.S. GAAP) force many companies to develop true and fair accounts of their business practices, which are in turn reflected in their annual reports and audited financial statements. However, these reports do not considered at all social and environmental dimensions, nor the long-term economic environment in which companies operate. Although some companies publish sustainability reports on the Environmental, Social and Corporate Governance (ESG) dimensions, it is noted that these reports do not necessarily connect risks and opportunities with the company's strategy and business model.

The Integrated Report will help integrate information that is relevant to the behavior and future development of companies, providing deeper in-

sights and complete information about the risks and opportunities they face, particularly in the context of a global and sustainable economy".

The Integrated Report should be the organization's primary report (equivalent to the Annual Financial Report of many jurisdictions) and it should be focused on creating and preserving value in the short, medium and long term. Each element of the Integrated Report should provide information on the present and future performance of the company.

In order to publicize both its objectives and actions and facilitate participation at an international level, the IIRC has a program of events (regional roundtables) in different parts of the world.

Structure and function

The IIRC is run by the so-called **Working Group** composed of representatives of the various organizations that comprise it. This Working Group is responsible for governance issues, strategic relationships with various stakeholders, performance, research, contents, funding, network maintenance, etc.

There are three **Committees** or ***Taskforce*** in charge of specific development areas:

- *Content Taskforce:* responsible for the contents of the Discussion Paper for the development of the Integrated Reporting framework. It is composed by various members of the Working Group and other external experts and advisors.
- *Engagements Communications Taskforce:* responsible for outreach, consultation and external activities of the IIRC. It is also composed by members of the Working Group and external consultants and experts.
- *Governance Taskforce:* responsible fo governance issues and institutional arrangements of the IIRC. It is also composed by members of the Working Group and external consultants and experts.

Discussion Paper

The IIRC published on September 12, 2011 its *Discussion Paper,* based on the proposals made by a group of both member and non-member organizations, regarding the development of an international framework of generally accepted integrated reporting. Its objectives are to help:

1- Reporting organizations with a guide that allows them to enter the integrated reporting process.

2 - Legislators, regulators and securities markets to develop corporate reporting models.

3 - Investors and other information users to make better resource allocation decisions.

The *Discussion Paper* was open to the public to encourage participation. It hoped to attract comments from all entities and professionals interested in the development of integrated reporting. The deadline for comment reception was December 14, 2011 and over 200 comments (ie 214) from companies, institutions and individuals from around the world were received[15].

In May 2012 the IIRC made public a document summarizing responses to the *Discussion Paper*[16], which will be taken into account, to greater or lesser extent, in the preparation of the integrated reporting conceptual framework. On July 2012, the IIRC published a first proposal of basic structure for the conceptual framework[17], informing also interested parties that in mid-2013 they expected to have a version for public consultation. By the end of 2013, Version 1.0 of the conceptual framework should be ready.

Pilot program

It is a program for a pioneering group of companies that want to stand out as leaders in integrated reporting. Through direct involvement, participation in the development of the IR Guide and the application in their own organizations, these companies will participate in a program of activities with different phases (from the study of the Discussion Paper, through participation in various forums and conferences, October 2011 to September 2012, until the presentation of the final conclusions conference, October 2013). Participation involves a financial contribution to the program, depending on the size of the company and registration by July 29, 2011.

Participation is also possible through the Investors Group or the Network Partners. Contact pilotprogramme@theiirc.org for more information about these options.

15 The IIRC website has published the list of organizations that have sent comments on the DP.

16 "Summary of Responses to September 2011Discussion Paper and Next Steps" *(www.theiirc.org)*.

17 "Draft Framework Outline" *(www.theiirc.org)*.

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The Corporate Social Responsibility XBRL Taxonomy

Series: **Pronouncements**

CORPORATE SOCIAL RESPONSIBILITY COMMISSION

NEW TECHNOLOGIES COMMISSION

Authors: **Enrique Bonsón, Francisco Flores** and **José Luis Lizcano**

Currently, abundant Corporate Social Responsibility information is available to users. However, the methods and formats in which it is presented make it difficult to process in an efficient way.

Technological advances have allowed the creation of systems capable of processing large amounts of data of diverse nature. The XBRL (eXtensible Business Reporting Language) standard allows the presentation, remission and treatment of corporate and public sector information, and facilitates the use of all sorts of indicators in digital format. To answer these challenges the Spanish Association of Accounting and Business Administration has lead the project "Development of a Corporate Social Responsibility XBRL Taxonomy" with the support of Spain's XBRL Association.

Due to its independence from national regulatory frameworks, the use of the taxonomy has been recognized by XBRL International for any organization at a global level. With its implementation AECA hopes to improve comparability among companies and transparency in the reporting and research of Corporate Social Responsibility.

Standarization of Corporate Social Responsibility information

Series: **Pronouncements**

CORPORATE SOCIAL RESPONSIBILITY COMMISSION

Ponentes: **José Luis Lizcano, Isabel Mª. García Sánchez** and **Alejandro Fernández**

The moment has come to standardize Corporate Social Responsibility information so that it allows its users to obtain reliable, comparable and automated data. To reach this objective, the Spanish Association of Accounting and Business Administration has carried out two projects to start a standardization process for CSR information and reporting:

1. Development of the CSR General Indicators Scoreboard (CGI-RSC) and its XBRL taxonomy.
2. Development of the CSR Central Indicators Scoreboard (CCI-RSC) and its XBRL taxonomy.

This *AECA Pronouncement* justifies, puts in context and describes the empirical research undertaken, and proposes organizations the use of the CCI-RSC. The document also explains the current Spanish and international framework of CSR reporting, its main problems and its most urgent needs.

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Revista Española de Financiación y Contabilidad

Spanish Journal of Finance and Accounting

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ISSN: 0210-2412

www.aeca.es/pub/refc/refc.htm

Revista AECA

AECA Magazine

4 numbers per year

Established in 1972. Quarterly

ISSN: 1577-2403

www.aeca.es/pub/refc/refc.htm

Revista Iberoamericana de Contabilidad de Gestión

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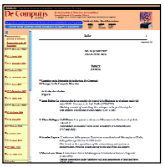

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Spanish Journal of Accounting History

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www.decomputis.org

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AECA Annual Report 2011

Activities

Corporate Governance and Corporate Social Responsibility

Integrated Annual Report

In spanish language

The AECA Annual Report 2011 presents the associations' Activities, its Corporate Governance and Corporate Social Responsibility efforts, and its Integrated Annual Report (including its Financial Statements and its Voluntary CCI-CSR report) audited and verified by a professional independent audit firm.

Following the directions of AECA's Corporate Social Responsibility Commission and its research over the last 5 years, AECA adopts the latest international trends in CSR and Integrated Reporting. In 2011, the Association started an ambitious research project on Integrated Corporate Reporting. All activities related to the project are covered in this Annual Report, together with other activities of the association such as the XVI AECA Congress, the First International AECA Meeting in Latin America, or the International Luca Pacioli Meeting of Accounting History.

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Founded in 1979, the mission of AECA is to contribute to the development of business science and the improvement of the management techniques and information available to business professionals.

AECA associates come from a wide professional, entrepreneurial, academic and research set of the Spanish accounting and business management field. AECA associates include as well nearly all institutions, associations and professional corporations related to accounting and business management, and a large number of industrial, commercial and service oriented companies, specially from financial, audit and consulting firms.

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KPIs Frame

		Basic	Compared	Complies	2011			Compared	Complies	2010			Compared	Complies				Compared	Complies	Fulfilment			Change		
					Reported value (current period)					Reported value (previous period)					Expected or budget value					%	%		%	%	
Financial indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
					Accrual	Cash				Accrual	Cash				Accrual	Cash				Accrual	Cash		Accrual	Cash	
Economic efficiency																									
KPI_F1	Revenues	€		F1/S1	36.094.212.000				124216,4	32.582.260.000				39457,4					#¡DIV/0!				10,8%		
KPI_F2	Suppliers expenses	€	F2/F1		3.792.574.000			10,51%		3.392.282.000			10,41%						¡DIV/0!				11,8%		
KPI_F3	Added value	€	F3/F1		32.301.638.000			89,49%		29.189.978.000			89,59%						¡DIV/0!				10,7%		
KPI_F4	Employee benefits	€	F4/F1	F4/S1	5.310.995.000			14,71%	48000,00	4.814.450.000			14,78%	35004,00					¡DIV/0!	¡DIV/0!			10,3%		
KPI_F5	EBITDA	€	F5/F1		26.990.672.000			74,78%		24.375.528.000			74,81%						¡DIV/0!				10,7%		
KPI_F6	Financial expenses	€	F6/F1		20.354.591.000			56,39%		16.625.360.000			51,03%						¡DIV/0!				22,4%		
KPI_F7	Owner retribution	€	F7/F1																						
KPI_F8	Income taxes	€	F8/F1		284.553.000			0,79%		1.426.835.000			4,38%						¡DIV/0!				-80,1%		
KPI_F9	Economic contribution of the community	€	F9/F1								75.079.188														
KPI_F10	Public Administration expenses	€																							
KPI_F11	I+D+i investment	€	F11/F1										13%												
KPI_F12	Total investment	€	F12/F1			6.621.346.000		18,34%			7.077.827.000		21,72%						¡DIV/0!				-6,4%		
KPI_F13	Profitability	%					9%						13%											-34,7%	
KPI_F14	Level of debt	%					132%						137%											1,2%	
KPI_F15	Treasury shares	%					1%						1%											-49,1%	
Environmental indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Energy efficiency and emissions																									
KPI_E1	Energy consumption	GJ		E1/F1		2.991.238			8,28-05		2.793.949			4.586-05					#¡DIV/0!				7,1%		
KPI_E2	Water consumption	m^3	E2/E1			3.870.019		1,293786			4.257.069			1,523674					¡DIV/0!				-9,1%		
KPI_E3	Polluting emissions	GEI	E3/E1	E3/F1																					
Waste management efficiency																									
KPI_E4	Waste generation	t	E4/E1			377,824		0,12631			351,877		0,125943						¡DIV/0!				7,4%		
KPI_E5	Waste processed	t	E5/E1			6,156		0,002058			3,731		0,001335						¡DIV/0!				65,0%		
KPI_E6	Recovered waste	t	E6/E1																						
Social indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Human capital																									
KPI_S1	Employees	num					110.642					106.370												3,4%	
KPI_S2	Gender diversity of employees	num	S2/S1				57.035	52,00%				55.638	52,00%						¡DIV/0!					3,4%	
KPI_S3	Top management positions	num	S3/S1				26	0,02%				25	0,02%						¡DIV/0!					4,0%	
KPI_S4	Gender diversity of top employees	num	S4/S3				1	3,85%				1	4,00%						¡DIV/0!					0,0%	
KPI_S5	Job stability	num	S5/S1			102.756		92,87%			106.977		100,00%						¡DIV/0!				-3,9%		
KPI_S6	Absentee	num																							
KPI_S7	Employee turnover	num	S6/S1			10.456		9,45%			8.087		7,58%						¡DIV/0!				29,3%		
KPI_S8	Net employment	num	S7/S1	S8/F1																					
KPI_S9	Seniority	num					10,5					10,3												-2,8%	
KPI_S10	Employee training	num				5.310.995					4.559.995												15,5%		
Social capital																									
KPI_S11	Legal regulation concerning customer	num																							
KPI_S12	Payments to suppliers	num																							
Corporate Governance indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Fair corporate governance																									
KPI_C01	Board members	num					12					12												8,3%	
KPI_C02	Independent board members	num	C02/C01				10	76,92%				9	75,00%						¡DIV/0!					11,1%	
KPI_C03	CSR board members	num	C03/C01																						
KPI_C04	Executive Committee	num	C04/C01				6	46,15%				5	41,67%						¡DIV/0!					20,0%	
KPI_C05	Audit Committee	num	C05/C01				5	38,46%				4	41,67%						¡DIV/0!					0,0%	
KPI_C06	Nominations Committee	num	C06/C01				5	38,46%				4	33,33%						¡DIV/0!					25,0%	
KPI_C07	Meetings of the Board	num			12					14													-14,3%		
KPI_C08	Total remuneration of the Board	€		C08/F5	12937000				0,000479	12988000				0,000328					#¡DIV/0!				-0,4%		
KPI_C09	Gender diversity on Management Board	num	C09/C01				1	7,69%				1	8,33%						¡DIV/0!					0,0%	

KRIs frame

The entity will edit its own family of KRIs as a classification for loss data collection and evaluation.

			Event type							Total loss per type of event	MEMORANDUM ITEM: THRESHOLD APPLIED IN DATA COLLECTION	
			INTERNAL FRAUD	EXTERNAL FRAUD	EMPLOYMENT PRACTICES AND WORKPLACE SAFETY	CLIENTS, PRODUCTS & BUSINESS PRACTICES	DAMAGE TO PHYSICAL ASSETS	BUSINESS DISRUPTION AND SYSTEM FAILURES	EXECUTION, DELIVERY & PROCESS MANAGEMENT		Maximum loss	Minimum loss
			1	2	3	4	5	6	7	8	9	10
Financial indicators												
Economic efficiency												
KRI_F1	**...**	Number of events										
		Total losses										
		Maximum single loss										
...	**...**											
Environmental indicators												
Energy efficiency and emmisions												
KRI_E1	**...**	Number of events										
		Total losses										
		Maximum single loss										
...	**...**											
Waste management effiency												
KRI_Ei	**...**	Número de eventos										
		Suma total de pérdidas										
		Maximum single loss										
...	**...**											
Social indicators												
Human Capital												
KRI_S1	**...**	Number of events										
		Total losses										
		Maximum single loss										
...	**...**											
Social Capital												
KRI_Si	**...**	Number of events										
		Total losses										
		Maximum single loss										
...	**...**											
Corporate governance indicators												
Fair corporate governance												
KRI_CG1	**...**	Number of events										
		Total losses										
		Maximum single loss										
...	**...**											

BBVA

KPIs Frame

	Basic	Corrected	Complex	2011				Corrected	Complex	2010				Corrected	Complex	Expected or budget value				Corrected	Complex	Fulfillment			Change		
				Reported value (actual period)						Reported value (past period)													%		%		
Financial indicators				Flow		Stock				Flow		Stock				Flow		Stock				Flow		Stock			
				Accrual	Cash					Accrual	Cash					Accrual	Cash					Accrual	Cash		Accrual	Cash	
Economic efficiency																											
KPI_P1	€		F1/S1	36.094.212.000					320.216,37	32.482.360.000					309.649,03										11,1%		
KPI_P2	€	F2/F1		3.792.574.000				10,5%		3.392.282.000				10,4%											11,8%		
KPI_P3	€	F3/F1		32.301.638.000				89,5%		29.089.978.000				89,6%											11,0%		
KPI_P4	€	F4/S1		5.310.966.000				14,7%	48.000,00	4.814.450.000				14,8%	45.004,93										10,3%		
KPI_P5	€	F5/F1		26.990.672.000				74,8%		24.275.528.000				74,7%											11,2%		
KPI_P6	€	F6/F1		20.354.194.000				56,4%		16.620.360.000				51,2%											22,4%		
KPI_P7	€	F7/F1		945.000.000				2,6%		1.079.000.000				3,3%											-12,4%		
KPI_P8	€	F8/F1		284.553.000				0,8%		1.426.835.000				4,4%											-80,1%		
KPI_P9	€	F9/F1			58.867.984			0,16%			69.065.800			0,21%												-14,8%	
KPI_P10	€				8.011.550.000																						
KPI_P11	>0=investment	€	F11/F1											0,00%													
KPI_P12	Total investment	€	F12/F1		6.621.146.000			18,34%			7.077.827.000			21,79%												-6,4%	
KPI_P13	Profitability	%					9%						13%														-34,7%
KPI_P14	Level of debt	%					109,2%						107,5%														1,2%
KPI_P15	Treasury shares	%					1%						1%														-48,1%
Environmental indicators																											
Energy efficiency and emmisions																											
KPI_P1	GJ		F1/F1		2.991.224				0,00000		2.703.949				0,00000										7,1%		
KPI_P2	m^3	F2/S1			3.870.014			1,12			4.257.269			1,52											-9,1%		
KPI_P3	Pollutiing emmisions	GJ/t	F3/F1		377.824			0,11	0,90000		351.877			0,13	0,90000										7,4%		
Waste management efficiency																											
KPI_P4	Waste generation	t	F4/S1		377.824			0,1260			351.877			0,1259											7,4%		
KPI_P5	Waste processed	t	F5/S1		6.149			0,00205			3.728			0,00133											64,9%		
KPI_P6	Recovered waste	t	F6/S1		7,2			2,4E-06			4,2			1,51E-06											71,4%		
Social indicators				Flow		Stock				Flow		Stock				Flow		Stock				Flow		Stock			
Human Capital																											
KPI_S1	Employees	num				110.645						106.974															3,4%
KPI_S2	Gender diversity of employees	num	S2/S1			57.535	52,0%					55.628	52,0%														3,4%
KPI_S3	Top management positions	num	S3/S1																								
KPI_S4	Gender diversity of top employees	num	S4/S2																								
KPI_S5	Job stability	num	S5/S1		102.750		93%				106.977		100%												-3,9%		
KPI_S6	Absentee	num																									
KPI_S7	Employee turnover	num	S7/S1		10.452		9%				8.087		8%												29,2%		
KPI_S8	Net employment	num	S8/S1		3.669		3,3%		0,00000303		3.247		3,2%		0,00000303										8,2%		
KPI_S9	Seniority	num				10,1						10,1													15,5%		-2,8%
KPI_S10	Employee training	num			5.110.964						4.599.968																
Social Capital																											
KPI_S11	Legal regulation concerning customers	num																									
KPI_S12	Payment to suppliers	num																									
Corporate Governance indicators				Flow		Stock				Flow		Stock				Flow		Stock				Flow		Stock			
Fair corporate governance																											
KPI_C01	Board members	num				12						12															8,3%
KPI_C02	Independent board members	num	CG2/CG1			10	76,9%					9	75,0%														11,1%
KPI_C03	CSR board members	num	CG3/CG1			0	0,0%					0	0,0%														
KPI_C04	Executive Committee	num	CG4/CG1			6	46,2%					5	41,7%														20,0%
KPI_C05	Audit Committee	num	CG5/CG1			5	38,5%					5	41,7%														0,0%
KPI_C06	Nominations Committee	num	CG6/CG1			5	38,5%					4	33,3%														25,0%
KPI_C07	Meeting of the Board	num		12						14															-14,3%		
KPI_C08	Total remuneration of the Board	€	CG8/F1	12.937.000				0,048%		12.989.000				0,054%											-0,4%		
KPI_C09	Gender diversity on Management Board	num	CG9/CG1			1	7,7%					1	8,3%														0,0%

ENAGAS

KPIs Frame

Financial Indicators		Ids	Compound	Cumulus	2011 Reported value (actual period) Accrual	Flow Cash	Stock	Compound	Cumulus	2010 Reported value (past period) Accrual	Flow Cash	Stock	Compound	Cumulus	Expected or budget value Accrual	Flow Cash	Stock	Compound	Cumulus	Fulfillment % Accrual	Flow Cash	Stock	Change % Accrual	Flow Cash	Stock
Economic efficiency																									
KPI_F1 Revenues	€		F1/F1	F1/F1	1.170.421.000				10184552,2	1.016.059.000				9704473,8									15,2%		
KPI_F2 Suppliers expenses	€	F2/F1			202.281.000			17,3%		151.926.000			15,0%										33,1%		
KPI_F3 Added value	€	F3/F1			968.140.000			82,7%		864.133.000			85,0%										12,0%		
KPI_F4 Employee benefits	€	F4/F1	F4/F1		82.595.000			7,1%	71.352,5	83.347.000			8,2%	79.605,5									-0,9%		
KPI_F5 EBITDA	€				885.545.000			75,7%		780.786.000			76,8%										13,4%		
KPI_F6 Financial expenses	€	F6/F1			99.258.000			8,5%		78.314.000			7,7%										26,7%		
KPI_F7 Owners retribution	€	F7/F1			237.018.000			20,3%		200.089.000			19,7%										18,5%		
KPI_F8 Income taxes	€	F8/F1			155.686.000			13,3%		138.806.000			13,7%										12,2%		
KPI_F9 Economic contribution to the community	€	F9/F1						0,00%					0,00%												
KPI_F10 Public Administration expenses	€																								
KPI_F11 R+D+i investment	€	F11/F1						0,00%					0,00%												
KPI_F12 Total investment	€	F12/F1				591.385.000		50,53%			762.162.000		75,01%										-22,4%		
KPI_F13 Profitability	%						19,6%					19,2%												2,0%	
KPI_F14 Level of debt	%						316,6%					293,3%												7,9%	
KPI_F15 Treasury shares	%						0,0%					0,0%													
Environmental indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Energy efficency and emmisions																									
KPI_E1 Energy consumption	Gj		E1/F1			4.386.600,00			0,0037		4.587.640,00			0,0045									-4,4%		
KPI_E2 Water consumption	m^3	E2/E1				67.438,00		0,01			64.990,00		0,01										3,8%		
KPI_E3 Pollutting emmisions	GEI	E3/E1	E3/F1			293.344,00		0,07	0,0001		314.107,00		0,07	0,0001									-6,6%		
Waste management efficiency																									
KPI_E4 Waste generation	t	E4/E1				2.772		0,0006			4.236,00		0,0009										-11,0%		
KPI_E5 Waste processed	t	E5/E1				2.772		0,0006	0,0000		4.236,00		0,0009	0,0000									-11,0%		
KPI_E6 Recovered waste	t	E6/E1						0,00	0,00				0,00	0,00											
Social indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Human Capital																									
KPI_S1 Employees	num						1.124					1.045												7,5%	
KPI_S2 Gender diversity of employees	num	S2/S1					254	22,5%				244	23,0%											1,0%	
KPI_S3 Top management positions	num	S3/S1					23	2,0%				24	2,3%											-4,2%	
KPI_S4 Gender diversity of top employees	num	S4/S3					2	0,18%				2	0,19%											0,0%	
KPI_S5 Job stability	num	S5/S1				1.086		96%			1.018		97%												
KPI_S6 Absentee	num					13.152					12.665												1,8%		
KPI_S7 Employee turnover	num	S7/S1				9		1%			1		0%										700,0%		
KPI_S8 Net employmnet	num	S8/S1	S8/F1					0,0%	0,0000000				0,0%	0,0000000											
KPI_S9 Seniority	num											15,1												-100,0%	
KPI_S10 Employee training	num					48,86					42,5												15,0%		
Social Capital																									
KPI_S11 Legal regulation concerning customers	num																								
KPI_S12 Payment to suppliers	num					154					162												-23,5%		
Corporate Governance indicators					Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Fair corporate governance																									
KPI_G01 Board members	num						15					15												-6,3%	
KPI_G02 Independent board members	num	G02/G01					8	53,3%				8	50,0%											0,0%	
KPI_G03 CSR board members	num	G03/G01					0	0,0%				0	0,0%												
KPI_G04 Executive Committee	num	G04/G01					1	6,7%				1	6,3%											0,0%	
KPI_G05 Audit Committee	num	G05/G01					5	33,3%				5	31,3%											0,0%	
KPI_G06 Nominations Committee	num	G06/G01					5	33,3%				5	31,3%											0,0%	
KPI_G07 Meeting of the Board	num					11					11												0,0%		
KPI_G08 Total remuneration of the Board	€		G08/F1			2.665.000			0,001%		2.714.000			0,148%									-1,8%		
KPI_G09 Gender diversity on Management Board	num	G09/G01					2	13,3%				2	12,5%											0,0%	

INDITEX

KPIs Frame

	Basic	Corporate	Corrupticx	2011			Corporate	Corrupticx	2010			Corporate	Corrupticx				Corporate	Corrupticx	Fulfillment			Change	
				Reported value (actual period)					Reported value (last period)					Expected or budget value					%		%		
Financial indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow	Stock		Flow	Stock
				Accrual	Cash				Accrual	Cash				Accrual	Cash				Accrual	Cash		Accrual	Cash	
Economic efficiency																								
KPI_F1	Revenues	€	F1/F1	11.815.190.000				120.151,38	12.712.787.000				120952,48									8,7%	
KPI_F2	Suppliers expenses	€	F2/F1	8.259.752.000			60,5%		7.769.408.000			61,1%										7,6%	
KPI_F3	Added value	€	F3/F1	5.455.338.000			39,5%		4.943.379.000			38,9%										10,4%	
KPI_F4	Employee benefits	€	F4/F1	2.234.178.000			16,2%	20.466,23	2.009.429.000			15,8%	20.066,18									11,2%	
KPI_F5	EBITDA	€	F5/F1	3.221.160.000			23,3%		2.933.950.000			23,1%										9,8%	
KPI_F6	Financial expenses	€	F6/F1	13.858.000			0,1%		3.561.000			0,0%										289,2%	
KPI_F7	Owners retribution	€	F7/F1	1.121.995			0,0%		997.229			0,0%										5,7%	
KPI_F8	Income taxes	€	F8/F1	611.400.000			4,4%		580.305.000			4,6%											
KPI_F9	Economic contribution to the community	€	F9/F1		13.539.472		0,10%			11.368.207		0,08%											19,1%
KPI_F10	Public Administration expenses	€																					
KPI_F11	In(Dis) investment	€	F11/F1																				
KPI_F12	Total investment	€	F12/F1		1.348.716.000		9,76%			751.879.000		5,91%											78,9%
KPI_F13	Profitability	%				26,1%					27,1%												-3,7%
KPI_F14	Level of debt	%				47,0%					51,0%												-11,3%
KPI_F15	Treasury shares	%				0,0%					9,6%												-100,0%
Environmental indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow	Stock		Flow	Stock
Energy effiency and emmisions																							
KPI_E1	Energy consumption	GJ	E1/F1	3.381.000				0,00024		3.230.000			0,00022									4,7%	
KPI_E2	Water consumption	m^3	E2/E1	454.613			0,13			395.640		0,12										14,9%	
KPI_E3	Pollutting emmisions	GEI	E3/E1	354.776			0,10	0,00003															
Waste management efficiency																							
KPI_E4	Waste generation	t	E4/E1		11.412		0,0034			10.513		0,0033										8,7%	
KPI_E5	Waste processed	t	E5/E1		11.412		0,003341			10.513		0,0025148										8,6%	
KPI_E6	Recovered waste	t	E6/E1																				
Social indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow	Stock		Flow	Stock
Human Capital																							
KPI_S1	Employees	num			109.512					100.118													9,4%
KPI_S2	Gender diversity of employees	num	S1/S1		87.062		79,5%			80.011		80,5%											8,8%
KPI_S3	Top management positions	num	S3/S1		21		0,0192%			21		0,0210%											0,0%
KPI_S4	Gender diversity of top employees	num	S4/S3		3		14,29%			3		14,29%											0,0%
KPI_S5	Job stability	num	S5/S1	89.800			82%		80.110			80%										12,1%	
KPI_S6	Absentee	num																					
KPI_S7	Employee turnover	num	S7/S1																				
KPI_S8	Net employment	num	S8/S1	9.174			8,4%	0,000001	7837			7,8%	0,000001										
KPI_S9	Seniority	num																					
KPI_S10	Employee training	num		930.000					No disponible														
Socio Capital																							
KPI_S11	Legal regulation concerning customers	num																					
KPI_S12	Payment to suppliers	num		13																			
Corporate Governance indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow	Stock		Flow	Stock
Fair corporate governance																							
KPI_G01	Board members	num				9					9												0,0%
KPI_G02	Independent board members	num	G2/G1			5	55,6%				5	55,6%											0,0%
KPI_G03	CSR board members	num	G3/G1																				
KPI_G04	Executive Committee	num	G4/G1			7	77,8%				7	77,8%											0,0%
KPI_G05	Audit Committee	num	G5/G1			6	66,7%				6	66,7%											0,0%
KPI_G06	Nominations Committee	num	G6/G1			6	66,7%				6	66,7%											0,0%
KPI_G07	Meeting of the Board	num		5					5													0,0%	
KPI_G08	Total remuneration of the Board	€	G08/F1	6.206.000			0,3%		5.424.000			0,3%										14,4%	
KPI_G09	Gender diversity on Management Board	num	G09/G1			2	22,2%				2	22,2%											0,0%

INDRA

KPIs Frame

	Note	Compound	Complies	2011 Reported value (actual period) Flow Accrual	Flow Cash	Stock	Compound	Complies	2010 Reported value (past period) Flow Accrual	Flow Cash	Stock	Compound	Complies	Expected or budget value Flow Accrual	Flow Cash	Stock	Compound	Complies	Fulfilment % Flow Accrual	Flow Cash	% Stock	Change % Flow Accrual	Flow Cash	% Stock
Financial indicators																								
Economic efficiency																								
KPI_F1 Revenues	€	F4/E4		2.880.945.000				30.040.14	2.669.388.000				91.008.14									7,9%		
KPI_F2 Suppliers expenses	€	F2/E1		1.273.511.000			47,7%		1.294.463.000			48,5%										-1,6%		
KPI_F3 Added value	€	F3/E1		1.507.434.000			52,3%		1.374.945.000			51,5%										9,6%		
KPI_F4 Employee benefits	€	F4/E1	F4/E1	1.194.027.000			41,4%	33.418.28	1.080.959.000			40,5%	37.785.28									10,5%		
KPI_F5 EBITDA	€	F5/E1		313.387.000			10,9%		293.986.000			11,0%										6,6%		
KPI_F6 Financial expenses	€	F6/E1		40.014.000			1,4%		16.476.000			0,6%										142,9%		
KPI_F7 Owners retribution	€	F7/F1		111.610.000			3,9%		111.610.000			4,2%										0,0%		
KPI_F8 Income taxes	€	F8/F1		52.220.000			1,8%		45.702.000			1,7%										14,3%		
KPI_F9 Economic contribution to the community	€	F9/F1			1.482.458		0,05%			1.472.987		0,06%											0,6%	
KPI_F10 Public Administration expenses	€				n.d.					n.d.														
KPI_F11 I+D+i investment	€	F11/F1		189.298.000			6,57%		184.106.000			6,90%										2,8%		
KPI_F12 Total investment	€	F12/F1			152.845.000		5,31%			122.515.000		4,59%											24,8%	
KPI_F13 Profitability	%						-17%					-16%												-6,1%
KPI_F14 Level of debt	%						210%					191%												10,7%
KPI_F15 Treasury shares	%						1%					2%												-22,2%
Environmental indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Energy efficency and emmisions																								
KPI_E1 Energy consumption	GJ	E1/E1	E1/E1	328.477				0,00013	365.576				0,00013									-4,9%		
KPI_E2 Water consumption	m^3	E2/E1		191.918			0,08		269.906			0,78										-28,1%		
KPI_E3 Pollutng emmisions	GJ/	E3/E1	E3/E1	34.004			0,10	0,00003	33.655			0,10	0,00003									1,0%		
Waste management efficiency																								
KPI_E4 Waste generation	t	E4/E1		784			0,0024		833			0,0024										-5,9%		
KPI_E5 Waste processed	t	E5/E1		784			0,0024462		833			0,0024080										-5,9%		
KPI_E6 Recovered waste	t	E6/E1		0					0															
Social indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Human Capital																								
KPI_S1 Employees	num					35.720					28.608													24,9%
KPI_S2 Gender diversity of employees	num	S2/S1				12.720	35,6%				10.110	35,4%												25,8%
KPI_S3 Top management positions	num	S3/S1			24		0,1%				24	0,1%												0,0%
KPI_S4 Gender diversity of top employees	num	S4/S3			4		0,01%				4	0,01%												0,0%
KPI_S5 Job stability	num	S5/S1		30.532			85%		23.951			84%										27,5%		
KPI_S6 Absentee	num			n.d.					n.d.													#¡VALOR!		
KPI_S7 Employee turnover	num	S7/S1		8.721			24%		n.d.													#¡VALOR!		
KPI_S8 Net employment	num	S8/S1	S8/E1	7.122			19,9%	0,00003472	2.618			9,1%	0,00008011									192,7%		
KPI_S9 Seniority	num					5,18					6,14													-12,4%
KPI_S10 Employee training	num			657.560					501.797													31,0%		
Social Capital																								
KPI_S11 Legal regulation concerning customers	num					0					0													#¡DIV/0!
KPI_S12 Payment to suppliers	num			165.16					138,23													15,9%		
Corporate Governance indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Fair corporate governance																								
KPI_CG1 Board members	num					15					14													7,1%
KPI_CG2 Independent board members	num	CG2/CG1				7	46,7%				7	50,0%												0,0%
KPI_CG3 CSR board members	num	CG3/CG1				5	33,3%				1	7,1%												400,0%
KPI_CG4 Executive Committee	num	CG4/CG1				9	60,0%				8	57,1%												12,5%
KPI_CG5 Audit Committee	num	CG5/CG1				5	33,3%				5	35,7%												0,0%
KPI_CG6 Nominations Committee	num	CG6/CG1				5	33,3%				5	35,7%												0,0%
KPI_CG7 Meeting of the Board	num			12					11													9,1%		
KPI_CG8 Total remuneration of the Board	€		CG8/F5	2.210.000				0,705%	2.071.664				0,705%									6,7%		
KPI_CG9 Gender diversity on Management Board	num	CG9/CG1				3	20,0%				3	21,4%												0,0%

TELEFÓNICA

KPIs Frame

	Ratio	Correspond	C.Complies	2011			Correspond	C.Complies	2010			Correspond	C.Complies				Correspond	C.Complies	Fulfillment			Change		
				Reported value (actual period)					Reported value (past period)					Expected or budget value					%	%		%	%	
Financial indicators				Actual	Cash	Stock			Actual	Cash	Stock			Actual	Cash	Stock			Actual	Cash	Stock	Actual	Cash	Stock
Economic efficiency																								
KPI_P1	Revenues	€		64.938.991.000				223117,73	66.654.246.000				232787,55									-2,0%		
KPI_P2	Suppliers expenses	€	F2/F1	23.649.029.000			51,8%		22.467.938.000			48,7%										3,0%		
KPI_P3	Added value	€	F3/F1	31.289.962.000			48,2%		34.186.308.000			51,3%										-8,5%		
KPI_P4	Employee benefits	€	F4/F1	11.079.821.000			17,1%	38.671,44	8.408.877.000			12,6%	29.493,86									31,8%		
KPI_P5	EBITDA	€	F5/F1	20.210.141.000			31,1%		25.777.431.000			38,7%										-21,6%		
KPI_P6	Financial expenses	€	F6/F1	3.556.323.000			5,5%		3.129.356.000			4,7%										13,6%		
KPI_P7	Owners retribution	€	F7/F1	3.394.000.000			5,2%		2.928.000.000			4,4%										15,9%		
KPI_P8	Taxes	€	F8/F1	391.168.000			0,6%		1.828.920.000			2,7%										-92,1%		
KPI_P9	Economic contribution to the community	€	F9/F1		143.259.213		0,22%			131.963.166		0,20%											8,6%	
KPI_P10	Public Administration expenses	€			14.003.000.000					132.027.724													6,0%	
KPI_P11	I+D+i investment	€	F11/F1	943000000			1,51%		799.186991,8			1,20%										21,0%		
KPI_P12	Total investment	€	F12/F1		12.496.741.000		19,24%			15.861.266.000		23,80%											-21,2%	
KPI_P13	Profitability	%					23%					32%												-28,9%
KPI_P14	Level of debt	%					37,6%					33,0%												20,6%
KPI_P15	Treasury shares	%					7%					4%												51,2%
Environmental indicators																								
Energy efficiency and emmisions				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
KPI_E1	Energy consumption	GJ	E1/F1	23.130.151				0,00001	22.679.815				0,00001									1,0%		
KPI_E2	Water consumption	m^3	E2/F1	3.927.601			0,17		4.004.086			0,18										-1,9%		
KPI_E3	Polluting emmisions	GEI	E3/F1	1.779.810			0,08	0,00001	1.773.656			0,08	0,00001									0,4%		
Waste management efficiency																								
KPI_E4	Waste generation	t	E4/F1	7.880			0,0003		7.748			0,0003										1,7%		
KPI_E5	Waste processed	t	E5/F1	3.998			0,000172		4.056			0,000173										-1,4%		
KPI_E6	Recovered waste	t	E6/F1				0					0												
Social indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Human Capital																								
KPI_S1	Employees	num				291.027					285.190													2,1%
KPI_S2	Gender diversity of employees	num	S2/S1			156.864	53,9%				146.830	51,5%												6,8%
KPI_S3	Top management positions	num	S3/S1			20	0,008%				23	0,008%												8,7%
KPI_S4	Gender diversity of top employees	num	S4/S3			5	4,00%				1	4,35%												0,0%
KPI_S5	Job stability	num	S5/S1	238.763			82%		231.124			81%										3,3%		
KPI_S6	Absentee	num		4.436					5.560													-20,2%		
KPI_S7	Employee turnover	num	S7/S1																					
KPI_S8	Net employmnet	num	S8/S1																					
KPI_S9	Seniority	num																						
KPI_S10	Employee training	num		17.458					13.052													33,6%		
Social Capital																								
KPI_S11	Legal regulation concerning customers	num																						
KPI_S12	Payment to suppliers	num		98					97													1,0%		
Corporate Governance indicators				Flow		Stock			Flow		Stock			Flow		Stock			Flow		Stock	Flow		Stock
Fair corporate governance																								
KPI_C01	Board members	num				18					17													5,9%
KPI_C02	Independent board members	num	CG2/CG1			8	44,4%				8	47,1%												0,0%
KPI_C03	ICAR board members	num	CG3/CG1			5	27,8%				6	35,3%												-16,7%
KPI_C04	Executive Committee	num	CG4/CG1			9	50,0%				9	52,9%												0,0%
KPI_C05	Audit Committee	num	CG5/CG1			3	16,7%				4	23,5%												-25,0%
KPI_C06	Nominations Committee	num	CG6/CG1			5	27,8%				5	29,4%												0,0%
KPI_C07	Meeting of the Board	num		12					14													-14,3%		
KPI_C08	Total remuneration of the Board	€	CG8/F5	22.420.000				0,111%	21.712.000				0,084%									3,3%		
KPI_C09	Gender diversity on Management Board	num	CG9/CG1			1	5,6%				1	5,9%												0,0%