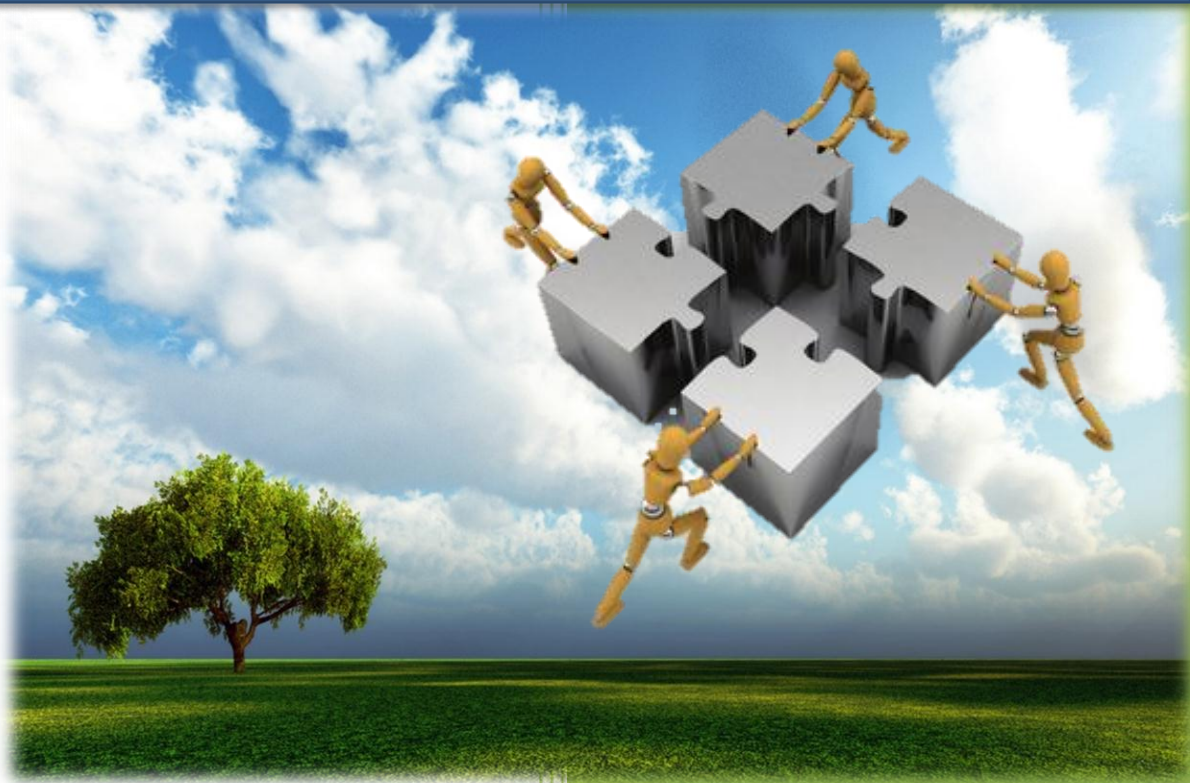


The Integrated Scoreboard (IS-FESG) and its XBRL Taxonomy



aeca

Asociación Española de Contabilidad
y Administración de Empresas

With the collaboration of:

BBVA

Authors:

José Luis Lizcano
Francisco Flores
María Mora
Manuel Rejón

Integrated Reporting: The New Corporate Reporting Model Paradigm

Experience in sustainability projects

CURRENT CORPORATE REPORTING MODEL

- Large number of unrelated data.
- Not necessarily relevant.
- Expensive to produce.
- Difficult to handle.
- Little strategic significance for future decision making.

COPORATE REPORTING DEMANDS

- ✓ **Improve** the Corporate Reporting model.
- ✓ **Stress** the importance of Information Technologies.
- ✓ **Assure** integrity and reliability.

CURRENT SITUATION

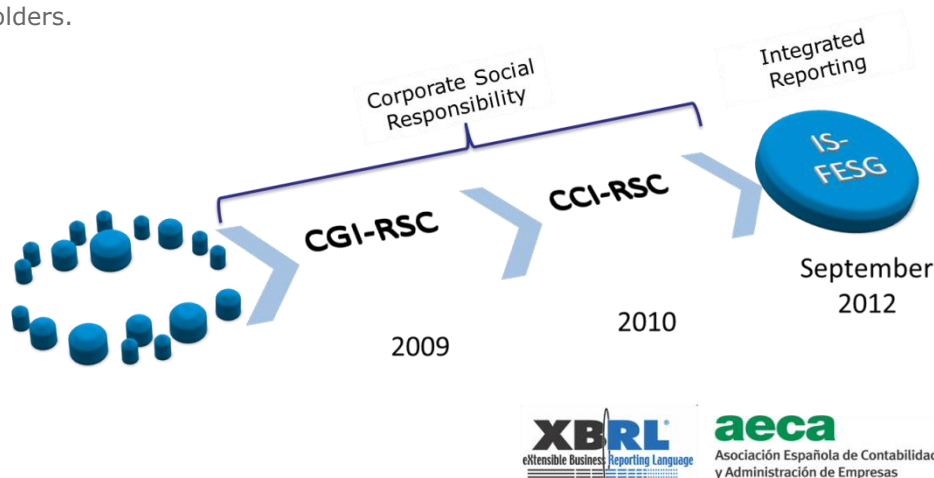
- The availability of corporate social responsibility information has **increased**.
- It is **impossible** to **compare** these reports across time and organizations.
- There is **no perceived** clear **return on the investment** required to measure and report these indicators.



Asociación Española de Contabilidad y Administración de Empresas

Since 2006, The Spanish Accounting and Business Administration Association – Asociación Española de Contabilidad y Administración de empresas (AECA) – has been developing and applying research in the standardization of non-financial

information, especially in the areas of environmental, social and corporate governance, promoting the latest technologies in the reporting process as these are crucial for the correct management of this information if it is considered valuable by companies and stakeholders.

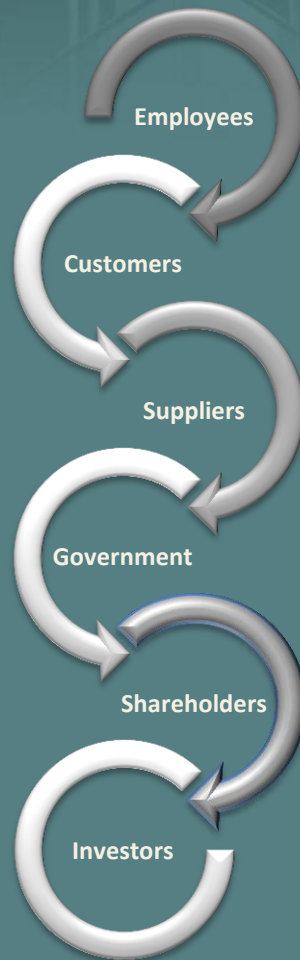


- AECA is the first global professional institution to promote the use of the XBRL standard (eXtensible Business Reporting Language) for the production and submission of corporate social responsibility information by the Internet.
- From the AECA experience, it is understood that change is needed: non-financial information has to be considered in the same terms as financial information.



GS-RSC: General Scoreboard
CS-RSC: Central Scoreboard
IS-FESG: Integrated Scoreboard for Financial, Environmental, Social and Corporate Governance information.

For more information see:
www.aecareporting.com

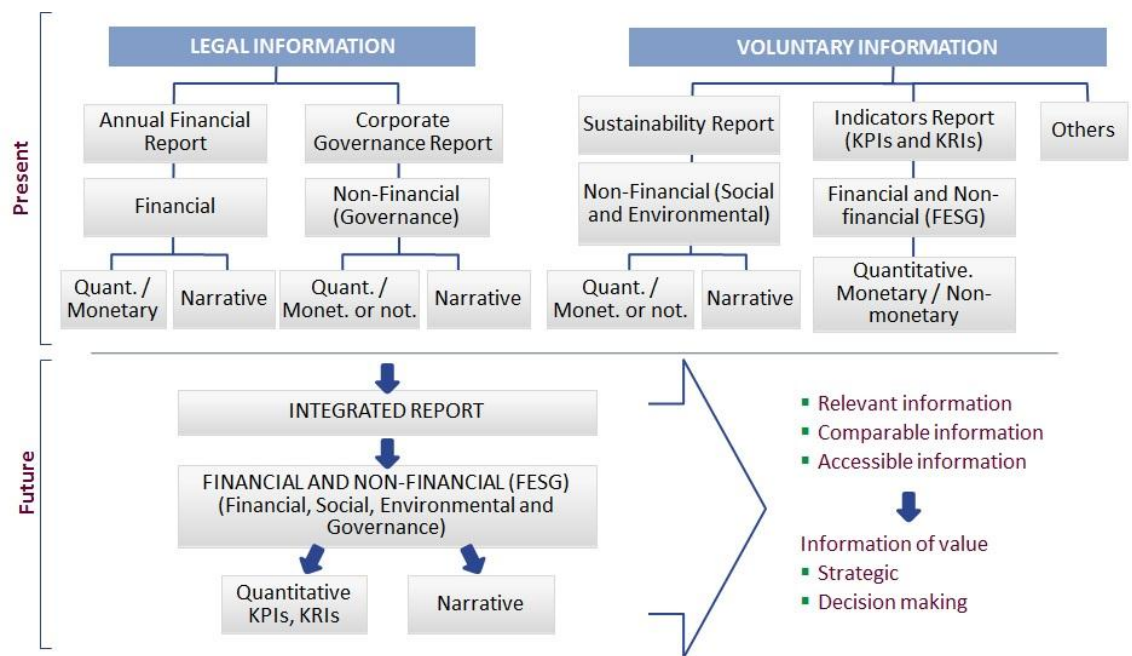


Reaching the stakeholders

“Corporate reporting plays an increasingly important role for the stakeholders and entities to sustain its relation in the long run.”

State of the art and future perspectives

The present landscape of corporate information is composed of **compulsory** and **voluntary** information in diverse areas with different approaches and final goals. In most cases, the emphasis is primarily on complying with legal and marketing requirements without any consideration of how this information could be useful and important to companies in terms of **strategy** and **decision making** despite the time and cost expended to create these reporting models.



- **Integrated Reporting** represents future perspectives, where relevant, comparable, accessible and interconnected information from different areas is present in the day-to-day business of the companies, organizations and stakeholders.

What is Integrated Reporting?

Following the IIRC definitions published in the Discussion Paper of 2011:

Integrated Reporting:

provides relevant information (materiality) about strategy, Corporate Governance, behaviour and the prospects of the company and its connection with the economic, social and environmental context in which it operates;

provides a clear and concise representation of how an organization manages and creates value, both now and in the future;

reflects what might be termed integrated thinking, that is consideration of different resources/capital classes and their interrelations – financial capital, productive capital, human capital, intellectual capital, natural capital and social capital;

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.

THE IIRC

The International Integrated Reporting Council – IIRC – is a powerful, international cross-section of leaders from the corporate, investment, accounting, securities, regulatory, academic and standard-setting sectors as well as civil society.

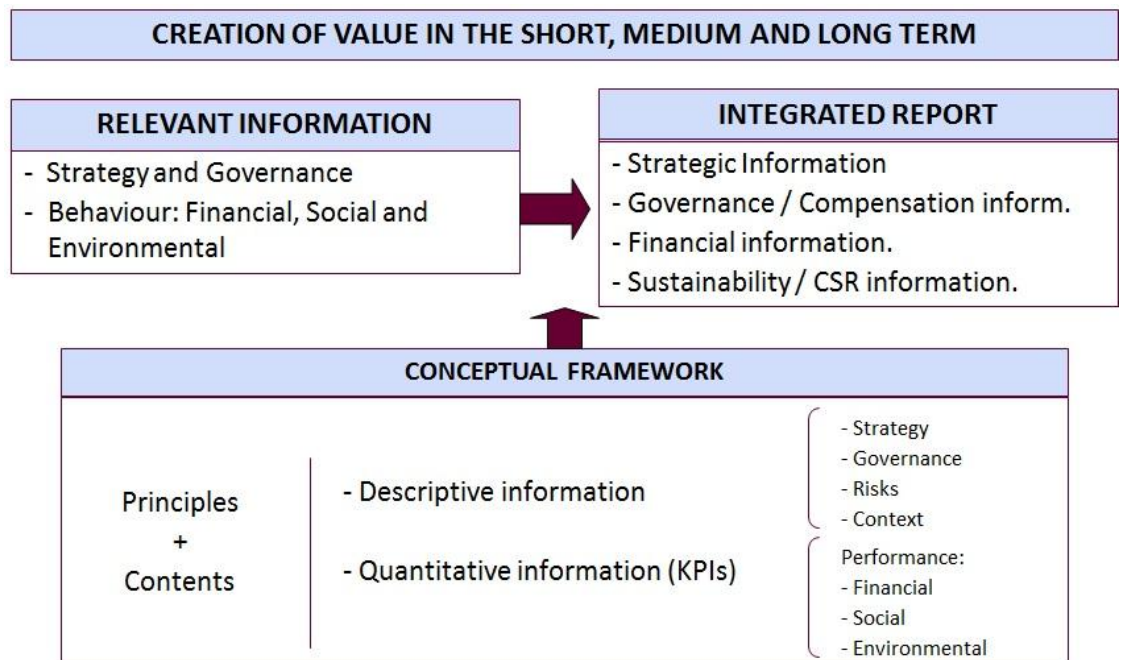
The mission of the IIRC is to create a globally accepted framework for Integrated Reporting.

More information:

<http://www.theiirc.org/>

INFORMATION PRINCIPLES

To facilitate development and access for the reporting organizations (businesses and non-profit organizations) and information users (analysts, investors, etc.) .



XBRL LANDSCAPE

The introduction of XBRL enables automated processing of business information by computer software, cutting out the laborious and costly processes involved in manual re-entry and comparison.

More information:

<http://www.xbrl.org>

IR TOWARDS XBRL

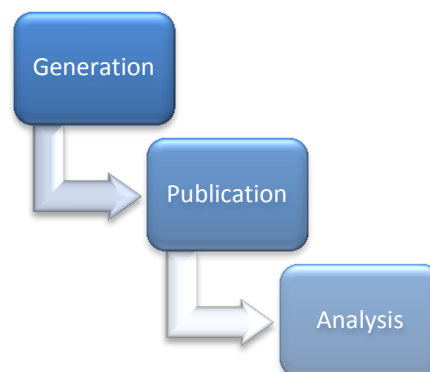
There is a need to use understandable language when reporting to provide reports accessible to all kinds of stakeholder.

XBRL STANDARD BY REGULATORS

It is widely used for financial reporting in Spain where it is mandated by the Bank of Spain, in the United States where it is mandated by the Securities and Exchange Commission (SEC), and also in the UK and other regulators all over the world.

Integrated Reporting and XBRL-enabled technology

Integrated reporting must encourage the development of applications for the generation, publication and analysis of integrated information, considering the advantages of relevant, quantitative, clear, concise and comparable financial and non-financial information.



What is XBRL?

XBRL is a business **language, interpretable** by **software applications**. It is a free, open technology prepared with a view to standardizing business reporting.

- It provides major benefits in the preparation, analysis and communication of business information.



- It is an open standard, free of royalties, with major acceptance by European and global regulators. That is why XBRL plays an interesting role when promoting and implementing new standards, such as the IFRS.



Why is the technology suitable for Integrated Reporting?

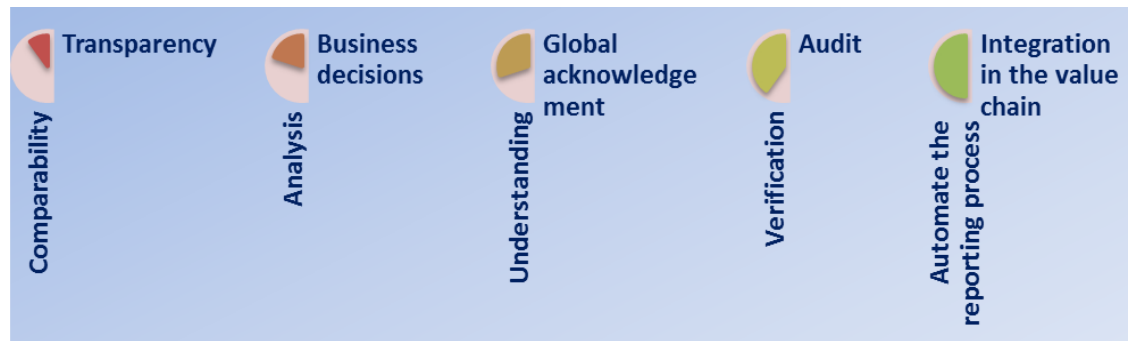
XBRL has the capacity to assume the complete business model representation that Integrated Reporting needs.

IR NEEDS XBRL

Integrated Reporting might move to an online environment and might be supported by online standards that effectively ensure its interoperability, not only in human-readable formats but also software-readable, such as XBRL.

XBRL: THE PIECES NECESSARY TO COMPLETE THE IR LANDSCAPE

Thanks to the XBRL frameworks available in both financial and non-financial areas and the most advanced XBRL tools, it has been possible to make a connection between the different information models, providing an advanced solution for reporting systems.



- Able to **define information from different fields**: Financial, Environmental, Social and Corporate Governance.
- Capable of **connecting existing frameworks**:
 - **Financial**: USGAAP, IFRS, Spanish GAAP, etc.;
 - **Risk**: COREP (Common REPorting);
 - **Environmental**: Carbon Disclosure Project;
 - **Corporate Social Responsibility**: GRI, CCI, CGI;
 - **Integrated Reporting**: IS-FESG.
- Able to support **multilingual** definitions.
- Supports the definition **of complex business** rules and **calculation constraints**.
- Able to define details and **legal references** for each piece of information.
- Able to define how conceptual data are to be **visually presented**.
- Able to define a high level of data structures as **multidimensional**.

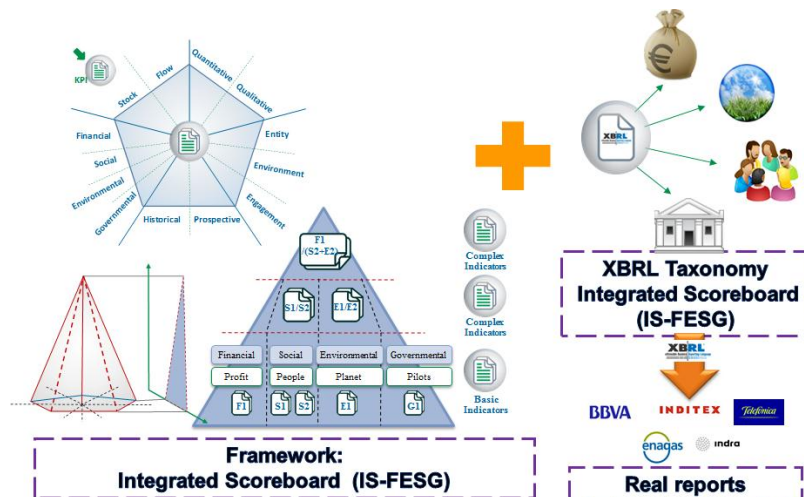
AECA and the Integrated Reporting Project

AECA took the initiative in creating the Integrated Reporting Working Group in 2011. Previous experience with the General Scoreboard (2009) and Central Scoreboard (2010) nurtured the action lines.

The working group comprises academics, auditors and representatives from the Bank of Spain, National Share Market Commissions, XBRL jurisdictions, IT companies and the five Spanish companies participating in the IIRC Pilot Programme: BBVA, ENAGAS, INDITEX, INDRA and TELEFONICA.



Results and road map



- **The IS-FESG conceptual framework:** development of the Integrated Scoreboard for Financial, Environmental, Social and Corporate Governance information.
- **XBRL Taxonomy:** development of technological support in the reporting of integrated information based on XBRL-enabled technology, using the full potential of the standard and managing the process to obtain approval from XBRL International.
- **Real reports:** elaboration of the pilot programme companies cases of use according to the IS-FESG framework and generating reports in XBRL standard.

ACTIVE COLLABORATION

Active collaboration with the working group members, nurturing the conceptual framework and using their experience until a real and applicable integrated information model is achieved.

USEFUL ORIENTATION

The measurement is oriented to be useful in internal management and external communications.

The Integrated Scoreboard: IS-FESG

The Integrated Scoreboard presents financial information, joined up with non-financial information in Environmental, Social and Corporate Governance matters (FESG), to represent business behaviour through a set of indicators.

The indicators are related to different levels in terms of strategic objectives and relevant risks.

Indicator fundamentals: KPIs and KRIs



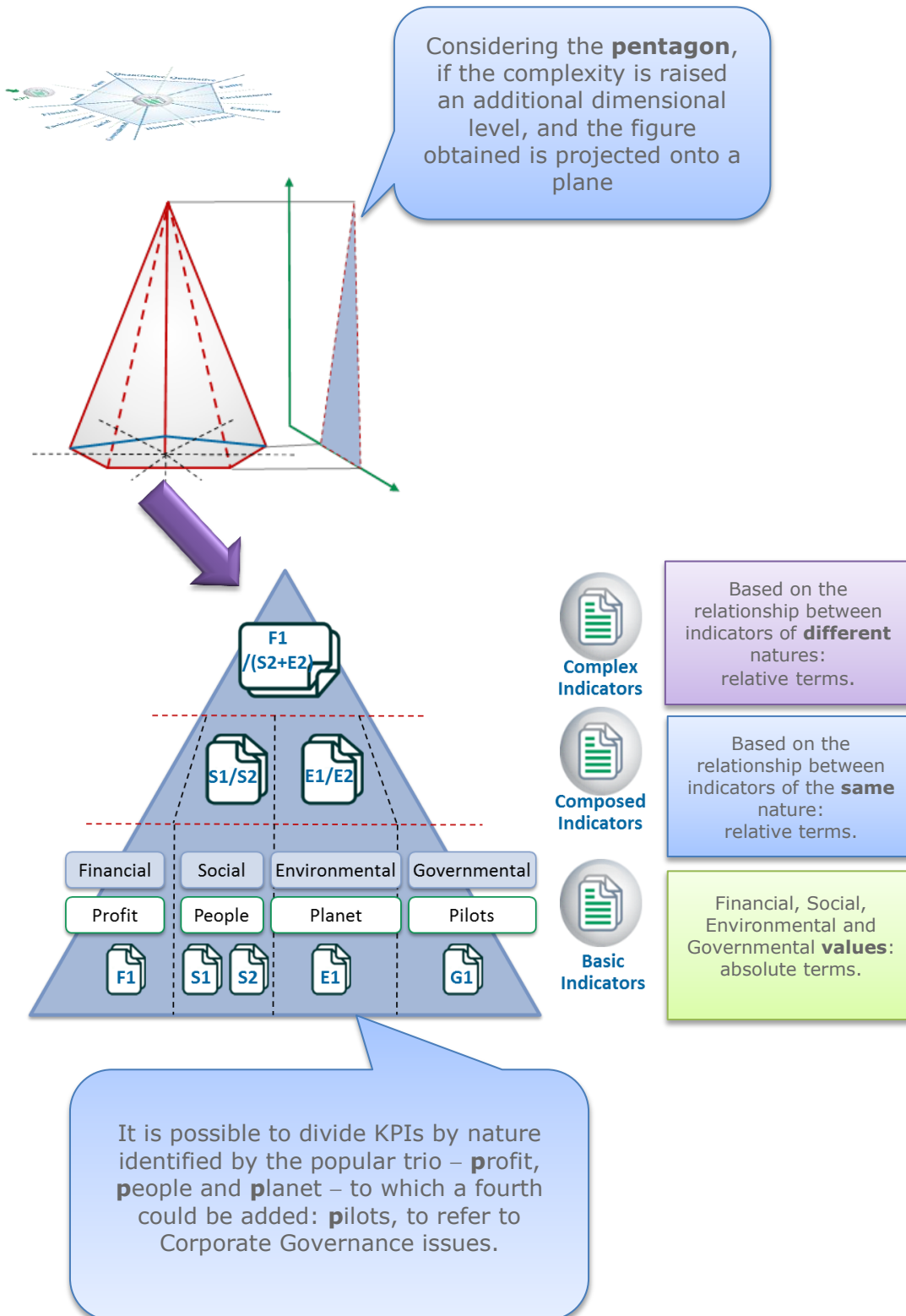
These are based on accounting practices during the Renaissance when **accounting** and **geometry** were being brought together by Fra Luca Pacioli and Leonardo Da Vinci. In this context, their notions are reconsidered in a model that can represent the reality of business through a set of indicators.

An **indicator** is defined as a piece of information from which it is possible to determine if:

- it refers to **flow** or **stock** data;
- it is **historical** or **prospective**;
- it contains **quantitative** or **qualitative** data;
- it is reported **by a company** or **about a company** by any of its stakeholders.



Profit, People, Planet and Pilots



IR: THE COMPOSED AND COMPLEX LEVEL

Enabling comparability between companies and the degree of interconnection in the activity areas; allowing, for example, analysis of whether sales growth trends correlate with polluting emissions or job stability.

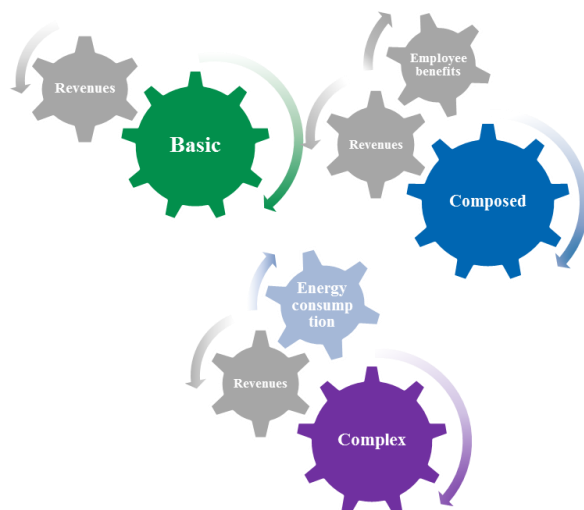
The evolution towards the integration concept

The **double** level of integration is achieved through:

- the levels of complexity indicators,
- and the connection with external financial, non-financial and risk frameworks.

Complexity indicator levels

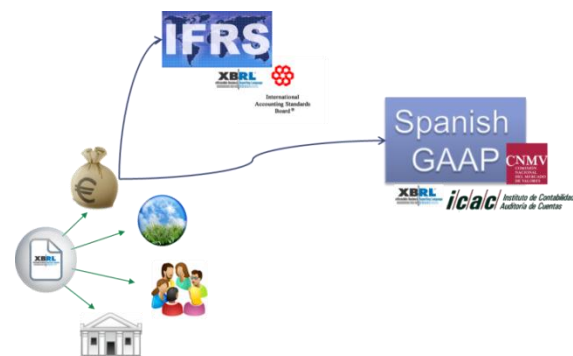
Three levels of complexity are defined, based on the relationship between indicators of the same nature (same P) or different natures (different P).



- **Basic** will relate to the financial, social, environmental or corporate governance arenas;
- **Composed** will also relate to any of the four specific areas, but will be expressed in relative terms once divided by a reference to its area (*i.e. revenue for financial indicators*);
- **Complex** will put in relation drivers from different areas (*i.e. financial vs. environmental*).

Connection with external financial and non-financial framework

The **financial** information that composed the integrated scoreboard is connected to the financial frameworks: **IFRS** and **Spanish GAAP**.



The **non-financial** information is referenced to the most important sustainability frameworks: **GRI** and the United Nations Conference on Trade and Development, Intergovernmental Working Group of Experts on Standards and Reporting (**ISAR**).



The **risk** representation model is constructed through the extension of the existing solvency model **Basel III**.

KPIs Frame model

Checking the fulfilment of the real and budget data.

Expected or budget value		
Flow		Stock
Accrual	Cash	

Fulfilment		
%		%
Flow		Stock
Accrual	Cash	

Analysis of increasing and decreasing trends in the real data over a period of time.

Change		
%		%
Flow		Stock
Accrual	Cash	

Reported value (past period)		
Flow		Stock
Accrual	Cash	

Reported value (actual period)		
Flow		Stock
Accrual	Cash	

Financial indicators

Economic efficiency		
KPI_F1	Revenues	€
KPI_F2	Suppliers expenses	€
KPI_F3	Added value	€
KPI_F4	Employee benefits	€
KPI_F5	EBITDA	€
KPI_F6	Financial expenses	€
KPI_F7	Owners retribution	€
KPI_F8	Income taxes	€
KPI_F9	Economic contribution to the community	€
KPI_F10	Public Administration expenses	€
KPI_F11	I+D+i Investment	€
KPI_F12	Total Investment	€
KPI_F13	Profitability	%
KPI_F14	Level of debt	%
KPI_F15	Treasury shares	%

Social indicators

Human capital		
KPI_S1	Employees	num
KPI_S2	Gender diversity of employees	num
KPI_S3	Top management positions	num
KPI_S4	Gender diversity of top employees	num
KPI_S5	Job stability	num
KPI_S6	Absentee	num
KPI_S7	Employee turnover	num
KPI_S8	Net employment	num
KPI_S9	Seniority	num
KPI_S10	Employee training	num
Social capital		
KPI_S11	Legal regulation concerning customers	num
KPI_S12	Payments to suppliers	num

Environmental indicators

Energy efficiency and emissions		
KPI_E1	Energy consumption	GJ
KPI_E2	Water consumption	m ³
KPI_E3	Polluting emissions	GEI
Waste management efficiency		
KPI_E4	Waste generation	t
KPI_E5	Waste processed	t
KPI_E6	Recovered waste	t

Corporate Governance indicators

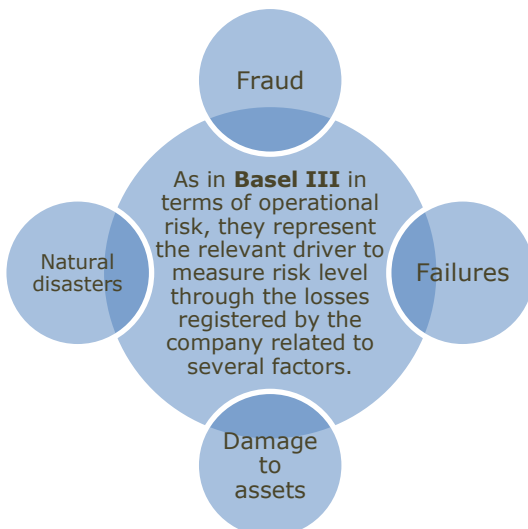
Fair corporate governance		
KPI_CG1	Board members	num
KPI_CG2	Independent board members	num
KPI_CG3	CSR board members	num
KPI_CG4	Executive Committee	num
KPI_CG5	Audit Committee	num
KPI_CG6	Nominations Committee	num
KPI_CG7	Meetings of the Board	num
KPI_CG8	Total remuneration of the Board	€
KPI_CG9	Gender diversity on Management Board	num

KRIs Frame model

Key risk indicators are proposed, covering internal management and related to strategic objectives in connection with public communication, making the future verification process easier.

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

Financial indicators										
Economic efficiency										
KRI_F1	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									
Environmental indicators										
Energy efficiency and emissions										
KRI_E1	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									
Waste management efficiency										
KRI_Ei	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									
Social indicators										
Human Capital										
KRI_S1	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									
Social Capital										
KRI_Si	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									
Corporate governance indicators										
Fair corporate governance										
KRI_CG1	...	Number of events								
		Total loss amount								
		Maximum single loss								
...	...									



Represents warnings for corporations.



Allows the nurturing of several analytical and statistics systems with scenarios for the company so they can make provision about such risks.

The XBRL taxonomy: IS-FESG

This taxonomy uses the latest tools offered by the XBRL standard, positioning itself as one of the **most advanced** taxonomies in the world.

XBRL TAXONOMY

This is the technical tool necessary to facilitate the effectiveness of companies and to achieve the essential analysis to take informed decisions.

XBRL IS SIMPLE

Instead of treating financial information as a block of text,



it provides an identifying tag for each individual item of data.

```
<0000.00</DerechosReconocidosNetos>
<300000.00</ObligacionesReconocidasNetos>
```

This is computer readable

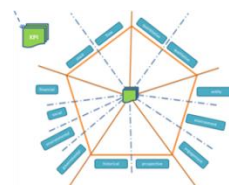
YEAR	PROMOTION NAME	SALE TOTAL
2007	Cartoon 2007 Promotion	789,299.56
2007	Chips 2007 Bundle	1,364,489.4
2007	Cartoon 2007 Promotion	9,504
2007	Cheer 2007 Promotion	2,619,837.82
2007	Cartoon 2007 Bundle	940,963.85
2007	Cartoon 2007 Promotion	79,782.5
2007	Cartoon 2007 Promotion	2,303,887.02
2007	Cartoon 2007 Promotion	1,376,990.96
2007	Cartoon 2007 Promotion	2,760,986.24
2007	Cartoon 2007 Promotion	1,029,234.54
2007	Cartoon 2007 Promotion	735,402.1
2007	Cartoon 2007 Promotion	6,915,389
2007	Cartoon 2007 Promotion	6,915,389.2
2007	Cartoon 2007 Promotion	13,171,616.97

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2007	Cartoon 2007 Promotion	6,915,389.2
2007	Cartoon 2007 Promotion	13,171,616.97

$$\sin\left(\frac{a}{2}\right) = \pm \sqrt{\frac{1 - \cos a}{2}}$$

$$\cos\left(\frac{a}{2}\right) = \pm \sqrt{\frac{1 + \cos a}{2}}$$

$$\tan\left(\frac{a}{2}\right) = \frac{1 - \cos a}{\sin a} = \frac{\sin a}{1 + \cos a}$$

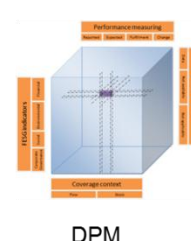
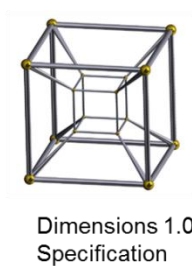


2003

2005

2009

2011



What is gained through the Integrated Reporting framework (IS-FESG) and the XBRL Taxonomy?

Real representation
financial, environmental, social and governance

- ✓ The units (m3, ton, etc.). **XBRL 2.1 Specification**
- ✓ Multidimensional structures. **Dimensions and Data Point Modeling (DPM) practice**
- ✓ Business rules validation. **Formulae specification**

Double level of integration

- ✓ Element complexity: basic, composed and complex. **Formulae specification**
- ✓ Connection with financial regulations: IFRS and Spanish GAAP. **Formulae specification**

Risk representation

- ✓ Through the existing XBRL international solvency framework, **COREP (Common REPORTing) based on Basel III**

Architecture prepared for extensibility

- ✓ Including new outstanding indicators
- ✓ New business rules validation
- ✓ New level of integration with external XBRL taxonomies: *for example, environmental indicators connected with Carbon Disclosure Project (CDP) elements.*

XBRL ARCHITECTURE PROMOTES TAXONOMY EXTENSION

For a double purpose:

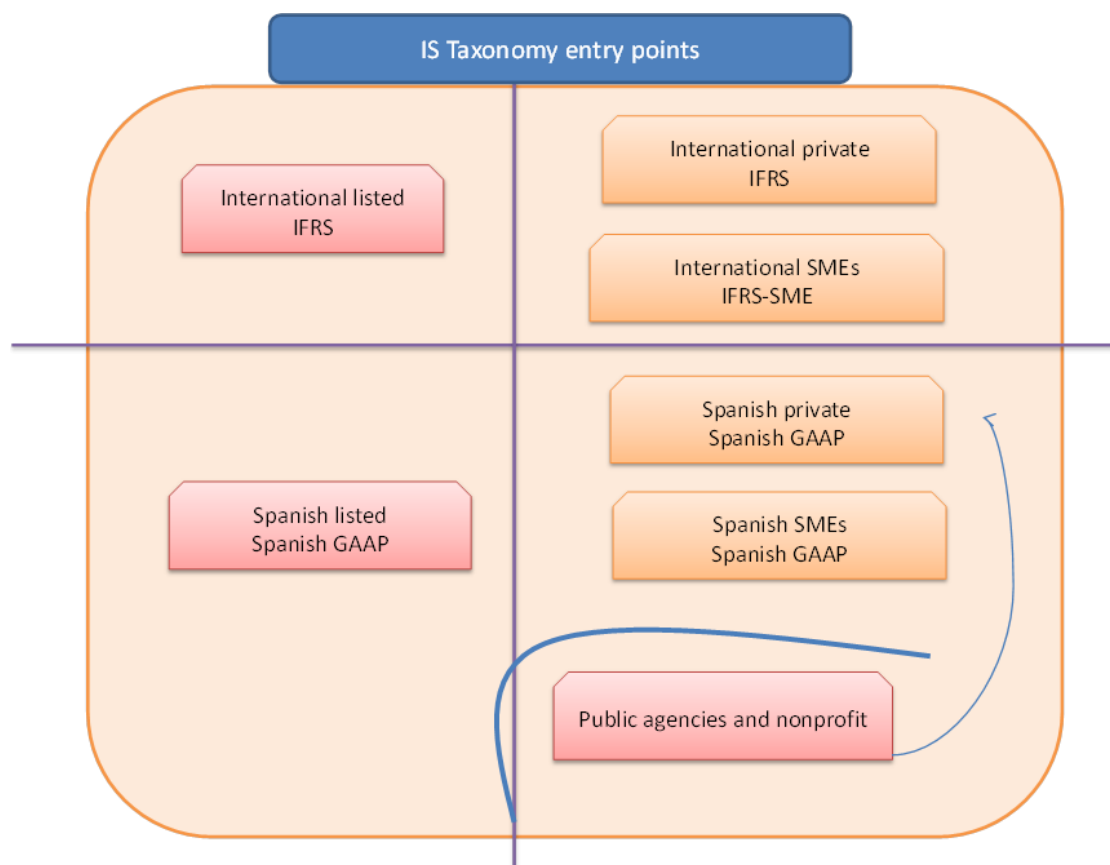
- ✓ **From the issuer's perspective:** there is an interesting possibility to extend the taxonomy by adding new columns (dimensions) or validation rules (formulae) in order to increase the complexity of publishable reports and to adapt to the behaviours that both stakeholders and entity managers will be required to monitor.



- ✓ **From the analyst's perspective:** it is possible to use additional dimensional relationships and/or formulae to perform specific treatments on entity data at the taxonomy layer without the need for software reprogramming.



The architecture of the XBRL Taxonomy offers a reporting toolkit

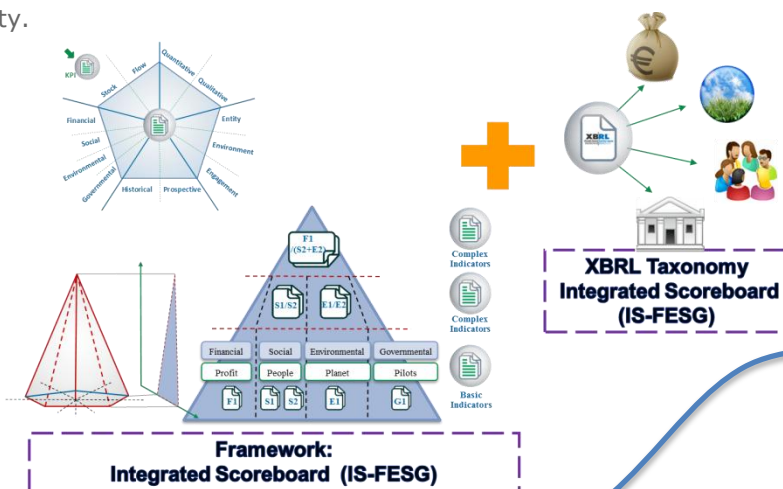


XBRL provides an integrated reporting toolkit for both **listed companies** and **SMEs**, based on:

- **the availability of International Financial Reporting Standards**, together with national equivalent XBRL taxonomies for financial data;
- **the existence of an internationally-acknowledged framework of Corporate Social Responsibility** for both listed companies and SMEs proposed by AECA and acknowledged by XBRL International;
- **the advantages of XBRL and open source** applications in promoting integrated reporting and efficient validation, reutilization, rendering, sharing and analysis of corporate data.

Early adopters

AECA **proposes the use** of the Integrated Scoreboard - Financial, Environmental, Social and Corporate Governance (IS-FESG) and the XBRL Taxonomy. The group of **Spanish listed companies participating in the pilot programme of the IIRC in 2012, decided to apply it**, to establish its feasibility and technical/conceptual applicability.



IMPORTANT CONSIDERATIONS

Regarding the potential impact and implementation of the IS-FESG taxonomy, it is relevant to note that it is expected to receive acknowledgement status from XBRL International and that AECA has elaborated the test cases with real information from the top five Spanish listed companies taking part in the IIRC.

BBVA

The second largest bank in Spain: it is the largest financial institution in Mexico, leading franchises in South America and the US Sunbelt. Additionally, it has a relevant banking presence in Turkey and China (through strategic investments in Garanti Bank and CITIC, respectively) and operates an extensive branch network worldwide.



The largest natural gas transport company in Spain.

Telefonica

The largest Spanish broadband and communications provider: operates in Europe, the United States and Latin America and is the fifth largest mobile provider in the world.



The top IT multinational in Spain and one of the leaders in Europe: operates in more than 118 countries.

INDITEX

One of the world's largest fashion distribution groups: operates in 77 countries in Europe, America, Asia and Africa.

Final considerations: what has been done and how?

- ✓ The **IR scenarios** are becoming a **reality**, first for listed companies and SMEs, which have a major stake in generating welfare and employment as there is considerable concern in Europe in terms of ensuring they are competitive.
- ✓ To provide a realistic first step in the proposed direction and contribute a scenario in which SMEs can gradually acquire the skills that will be needed in the new framework, the aim of AECA is to undertake an international XBRL project that will provide an integrated reporting toolkit for both listed companies and SMEs.

WHAT IS BEING ACHIEVED?

Providing new data on technology-driven company reporting, it will enrich the possibilities of collaboration among those standard setters and consortia mentioned.

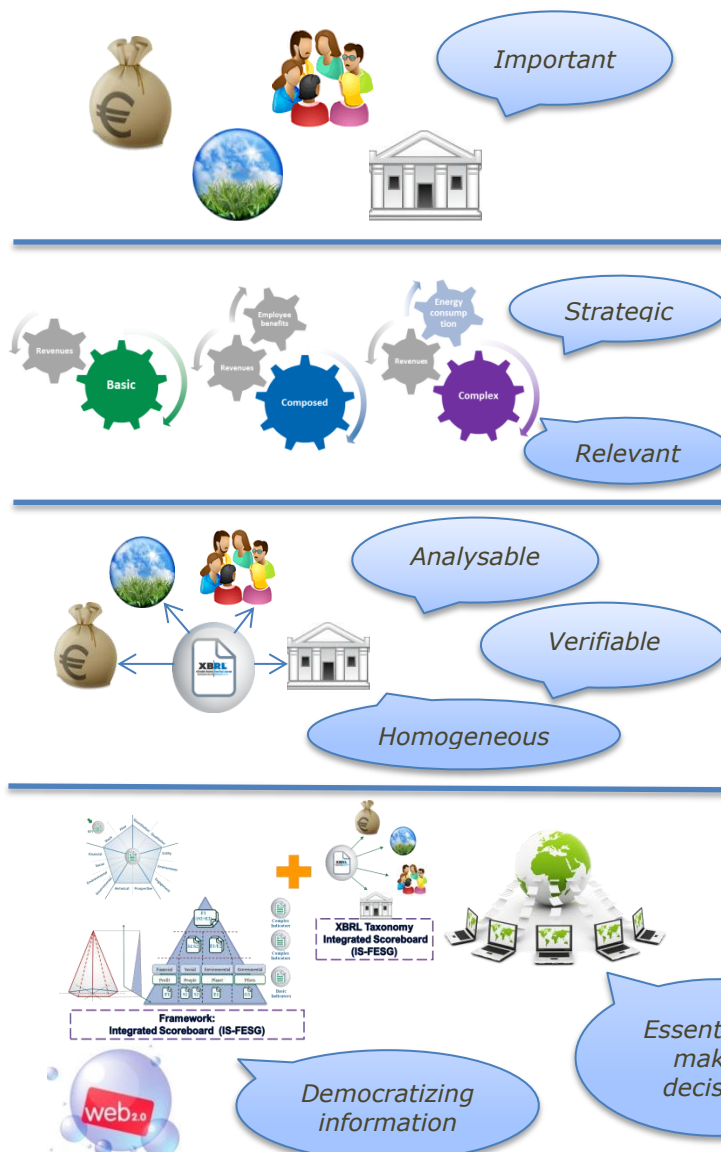
Providing concrete and tested solutions for a more efficient reporting environment.

Future directions

This proposal is expected to be tested by major Spanish and international companies during 2012 and 2013.

It is necessary in the future develop the way in which an Integrated Report will work in every industry – **sector extensions procedure**.

Ways for Integrated Reporting to become required by regulators will be defined – **procedures in main regions and dialogue with standard setters**.





**Asociación Española de Contabilidad
y Administración de Empresas**

Asociación Española de Contabilidad y
Administración de Empresas
C/ Rafael Bergamín, 16-B. 28043-MADRID
Email: info@aecca.es
www.aecca.es