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Integrated Reporting-The New Corporate Reporting Trends: A Case Study of TATA Steel Company Ltd.

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Abstract

Purpose

This paper has three main purposes first, it provide an overview of integrated reporting which has become the core of corporate reporting framework and a powerful communication tool to all the stakeholders in and around business. Secondly, To assess the framework of integrated reporting and Thirdly, To examine the integrated reporting practices followed by Tata Steel Company Ltd.

Methodology

The study is based on secondary information. The data collected from Annual reports of TATA Steel company Ltd., articles and websites

Findings

Although there are challenges in the way of integrated reporting but the evolutionary course of integrated reporting is now taking shape as more companies are trying to include mandatory financial as well as non financial voluntary information in their annual reports.

Conclusion

A sustainable society requires that all of its companies practice integrated reporting, so that resources used today do not jeopardize access to resources for future generations. There really is no alternative to integrated reporting. This still infant idea needs to grow into a strong and robust management practice.

Limitation

A key limitation of this paper is that it is based on secondary data. The primary data may make this paper more informative.

Keywords: IIRC, Performance, Governance, Strategies.

Introduction

An integrated report looks beyond the traditional time frame and scope of the current financial report by including the wider as well as longer-term consequences of decisions and action and by making clear the link between financial and non-financial value. It brings together material information about an organization's strategy, governance, performance.

Every company listed on a stock exchange is required to issue on at least an annual basis a financial performance report. These reports are based on a set of accounting standards. But financial reporting also has its limitations because of its increasing complexity which make it hard for all but only for the most sophisticated users to understand the reports. There is also the difficulty of finding the most relevant information, the time lag in issuing reports, the paucity of information about the risks being taken by the company to create value for shareholders, and the backward-looking nature of the reports. Many times this questions is arise that whether a financial report presents a "true and fair view" of a company which cannot be adequately answered, because the reports do not contain information on nonfinancial performance that can determine a company's long-term financial picture. Increasingly, businesses are expected to report not just on profit but on their impact on the wider economy, society and the environment. It is imperative to look at sustainability issues and how they relate to success of business.

Integrated Reporting

Integrated reporting is about integrating material financial and non-financial information to enable investors and other stakeholders to understand how an organization is really performing. An integrated report looks beyond the traditional time frame and scope of the current financial report by addressing the wider as well as longer-term consequences of decisions and action and by making clear the link between financial and non-financial value. it is a mechanism by which a company can present the full picture of their financial, environmental ,social and governance performance into one report.

As per IIRC (International integrated Reporting Council) an "Integrated reporting brings together material information about an organization ,strategy governance performance and prospects in a way that reflacts commercial social and environmental context within which it operates." It is the integration of company' financial report and its corporate social responsibility or sustainability report into a single documents. An Integrated Report provides reader with complete picture of how an organization is performing by including non–financial information along with financial information.

Review of Literature

Instant communications, whistle blowers, inquisitive media, and Goggling, citizens, NGOs and communities routinely put firms under the microscope. Transparency is access to pertinent information by stakeholders. By pertinent, it means information that can help if you have it and hurt if you do not. Companies need to act with integrity, not just, to secure a healthy business environment, but for their own sustainability and competitive advantage. (Eccles, R.G., and Krzus, M.P., 2010).

Company's corporate social responsibility or Sustainability report not linked to other pertinent data and information that might help a stakeholder to understand the company or an executive to manage it more effectively. Measuring and reporting nonfinancial information has become important reason other than valuation. Because of the huge changes happening in the global economy and every industry, and the challenges of rebuilding society for the 21st century, nonfinancial aspects of performance have implications beyond boards, auditors, audit committees and investors. (Abeysekara, I, 2009)

The historical focus of financial reporting provides an incomplete picture of a firm's current status to auditors, investors, and creditors and has limited relevance for evaluating future prospects. The integrated report is intended to demonstrate the integration of financial performance with other aspects of organizational performance towards reaching organization's vision. (Webb, L.L., Nath, L. and Wood) Business is the main driving force for resource efficiency in the economy, for technology deployment and development, for infrastructure construction and providing financial services. But business can fulfill its role only if the right framework conditions including those for reporting and disclosure are in place. Valuing and sustainability reporting must increasingly become a more integral part of economic planning and decision-making by society, government and business." Bjorn Stigson, 1 Former President, World Business Council for Sustainable Development (WBCSD).

According to Peeva and Noetzel (2009) investors now want to combine the three key elements, viz., environmental, social and governance (ESG) into their analyses and decision making. The present authors wish to add unwavering focus on 4P bottom line. Those 4Ps are Product, Profit, Planet and People. The investors want to be liberated from their myopic view, as they choose to become long term value.

Instant communications, whistle blowers, inquisitive media, and Goggling, citizens, NGOs and communities routinely put firms under the microscope. Transparency is access to pertinent information by stakeholders. By pertinent, it means information that can help if you have it and hurt if you do not. Companies need to act with integrity, not just, to secure a healthy business environment, but for their own sustainability and competitive advantage‖ Integrated reporting, provides a single version of the truth to all concerned parties, inside and out. Rethinking, reporting, is at the very heart of the success and survival of companies and even our economy‖ [**Eccles, R.G., and Krzus, M.P., (2010)**

Although the broadening of accountability and reporting aspects has already begun among organizations, such initiatives are reported with no coherence to organizations long term objectives, and are often presented as unconnected activities undertaken by organizations, in separate reports such as annual reports and sustainability reports. Integrated reporting, attempts to combine the reporting of different facets of organizational activities on a common platform with a unified objective **(KPMG (2011),**

This situation has experienced a rapid turnaround and there are currently several frameworks for measuring and reporting IC. Measuring and assessing IC by firms have become more important with the adoption of International Financial Reporting Standards (IFRS) by many countries. IFRS takes a prudent approach in recognizing assets and the treatment of assets revaluation **(Dixon, J (2003).**

The historical focus of financial reporting provides an incomplete picture of a firm's current status to auditors, investors, and creditors and has limited relevance for evaluating future prospects **(Lev, B and Zarowin. 1999)**

Integrated reporting unifies these two aspects by reviewing them through organizational vision and organizational values: Does managerial action account for the organization's vision? Is managerial action found on the organization's values? Integrated reporting has brought an additional aspect to governance in that it inquires into the organization's vision and values. Has the governance provided sufficient independent oversight towards reaching organizational vision to become accountable for action and facilitating perform risk profile. **(Robert G. Eccles and Michale P Krzus, 2010)**

Global Reporting Initiative; No discussion about ESG and CSR reporting is complete if it fails to mention the Global Reporting Initiative (GRI). The GRI is at here may be patches of transparency in disorder, or bureaucratic institutions that lay a heavy hand on the workings of transparency. But the pure cases are nonetheless instructive by showing what could be, for good or ill **(Dipiazza S. A.Jr &Eccles, R. G. (2002)**

Integrated Reporting Framework

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. The IIRC is developing an International Integrated Reporting Framework that will facilitate the development of

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reporting over the coming decades. Integrated reporting in substance has been explained by the International Integrated Reporting Council (IIRC). It is all about bringing together material information of an organization's long and short term strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental within which it operates. All these are in addition to the contents of traditional corporate reporting. It is also intendeds to provide a periodic, clear and concise representation of how an organization creates and preserves values for all stakeholders now and shall continue to do in future

Although some of the seeds for integrated reporting go back as far as John Elkington's concept of the triple bottom line in 1994 but on Jan. 25, 2011, at a press conference held at the Johannesburg Stock Ex-change, the world's first guidance document for companies practicing integrated reporting was issued. King Report on Governance for South Africa 2009 (King III), written by University of South Africa professor Mervyn King, which recommended that companies and other organizations produce integrated reports connecting material financial and sustainability information in their financial report.

The core objective of the Framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization's long-term prospects in a clear, concise, connected and comparable format. This will enable those organizations, their investors and others to make better short- and long-term decisions.

Integrated Reporting Practice in TATA Steel

Jane Diplock, director of IIRC pointed out that in India, Tata Steel is the first company to warm up to the concept. "Tata Steel is among the 100 large companies around the globe that are actively involved in the project." Tata Group is closely associated in IIRC, with Kaushik Chatterjee, its group CFO, being the member of the working group that is developing the IR framework.

Biren Bhuta, chief-corporate sustainability services, Tata Steel, said that integrated reporting would help stakeholders move away from short-term thinking based on quarter-on-quarter numbers. Integrated reporting is expected to reflect broad and long-term consequences of the decisions that organisations make, based on wide-ranged factors, in order to create and sustain value. This would help stakeholders move to a "more medium and long-term thinking".

In a maiden attempt at capturing the fair value of an organization for the benefit of its shareholders, Tata Steel has used for the first time integrated reporting in preparing the 2012-13 annual report. Since that financial year Tata steel is presenting integrated reporting in every financial year. It is described in the annual reports of the companies that the concept of Integrated Reporting (IR), is the growing recognition because a number of factors determine the value of an organization. Some of these are financial or tangible in nature and are easy to account for in financial statements. However others, like people, natural resources, intellectual capital, markets, competition, etc., are harder to measure. This is where the concept of Integrated Reporting comes in.

The IR reporting framework of TATA steel company ltd. covers six parameters It is in keeping with Tata Steel's own belief in transparency, accountability and ethics. A belief that Tata Steel has held strong for over a century. The Tata Steel Company adopts following six step procedure for integrated reporting:

1. Organizational Overview of the Business Model
2. Operating Context, Risks and Opportunities
3. Strategic Objectives and Strategies
4. Governance
5. Performance
6. Outlook

Organizational Overview of the Business Model

This provides a perspective of the core business of the company so that stakeholders have a clear understanding of what the company does and how it does it. Strategic objectives are one of the key aspects of understanding a company. It is the knowledge of its strategies and growth plans, operating Risks and Opportunities It is important for every stakeholder to understand and weigh for themselves the risks the company is exposed to – as well as the opportunities that come its way. The annual report of 2014-15 disclosed that the business of Tata Steel spread across the India, Europe and South-East Asia. Introduction of TATA Astrum for same market, enhanced profit in Ferro Alloys and minerals division. The best performance of Tubes division as a SBU (Strategic Business unit) increased capacity by 0.6 million tons in the next 5 years to reach to 1 million tonn, Green field steel project in Odisha as a new subsidiary of Tata Steel Odisha Limited with an amount of Rs 22 800 core, adopted TQM in the year 2012 and under take the brown field expansion. Firm in Europe increased its sales by 20 percent over the past two years. It comprises of manufacturing hubs and integrated businesses. Nat steel consists of 66 percent of value added products, TSTH (Tata steel Thailand) increased its market share from 25 percent to 29 percent, due to strong construction growth in Thailand.

Operating Contexts, Risks and Opportunities

It is important for every stakeholder to understand and weigh for themselves the risks the company is exposed to as well as the opportunities that come its way. The company increases the performance of mines by enhancing its productivity, improve the labor productivity per tonne base with same work force, establishment of training centre, prepare a successful entrepreneurs in the material supply, promotion of self help groups by women in green field project, Jamshedpur***.***

Strategic Objectives and Strategies

The long-term value created through the Continuous improvement Programme consists of six components involving TQM and statistical tools– Throughput, value-in-use, energy efficiency, opportunistic plays, logistics and supply chain. The company maintains the branded product portfolio. The 14 new products launched in 2014-15, collaborate with the university of war wick for research. The company applied Trekker" (known as project and portfolio management) to design the new products. The company's annual effective capacity will rise from 7.2 million tones to 7.7 millions of liquid steel. It has a greater responsibility towards environment, communities, employees safety and people, for this it takes a leading role in (EULCO), and also it maintain a stability in terms of quality and availability and recognized reduce the risk against volatile prices, for this Bengal coal project.

Governance

The ethical standards of a company are an important aspect that a stakeholder is concerned about when investing. Transparent reporting on the governance process helps reassure stakeholders and builds trust. The company follow the global practices in terms of code of conduct, appoint committees who review reports periodically and adopted the ethical and transparent governance approaches and zero tolerance towards corruption and unethical behaviour. The company formulated management of business ethics comprises of four pillars: i.e. leadership, communication and awareness, compliance structure and evaluation of effectiveness.

Performance

In this head the company projects a non financial performance indicators in terms of production and sales in million tones, capacity expansion volume in million tones p.a. awards and accolades, initiatives in (CSR Corporate Social Responsibility) health and safety, in terms of lost time injury frequency.

Outlook

The outlook of the company is mitigate possible challenges and avail the every opportunity. The long steel demand is expected to the slightly better off, driven by a steady construction sector due to collapse of the euro zone economies. The south East Asia attract more demand for infrastructure projects, but there is a business risk with china likely to remain the largest exporter to South East Asia. The company plays its leadership position in Singapore and Thailand.

Conclusion and Suggestions

The study finds that Tata Steel's outlook is to mitigate possible challenges and avail every opportunity. Long term steel demand is expected to slightly better off, driven by a steady construction sector due to the collapse of the Euro zone economies. The evolutionary course of integrated reporting is now taking shape as more companies move from informal statements to formal reporting. The standardized framework of the IIRC, GRI, and Government of India provide an incremental road map for widening the scope of disclosure aspects in case of Indian companies. Every company should follow the practices of integrated reporting as has been followed by Tata Steel to project the financial as well as non financial information which is useful to the stakeholders, investors, policy makers, government banks and financial institutions. The organization should include the following factors i.e .environmental management, climate change, water use, hazardous waste management. Waste management, product formulations, waste savings, employment, human rights, ethics, financial risk, product development, consumer requirements, capacity expansion in million tones, sales and production in volume, health and safety, business model, risks and opportunities, strategies, performance and final outlook in frame work of integrated reporting to view the overall position of the concerned organization.

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