Progress
through reporting

IIRC Integrated Report 2015

INTEGRATED REPORTING ‹IR›

Our integrated report communicates how our strategy, governance, performance and prospects, in the context of our external environment, lead to the creation of value over time.

Contents

Appendix

Our Appendix on pages 38-49 satisfies statutory requirements by including our full financial statements and notes.

Who we are

The 2007–2009 global financial crisis was a catalyst for establishing the International Integrated Reporting Council (IIRC), and developing Integrated Reporting <IR> as a means of enhancing financial stability and rebuilding trust in capital markets and their ability to serve the real economy.

The IIRC is a coalition drawn from broad global communities representing all those with an interest in the evolution of corporate reporting. This coalition promotes communication about value creation, over the short, medium and long term, as the next step in the evolution of corporate reporting.

The IIRC is the global authority on <IR> and steward of the International <IR> Framework. We strive to be market-led and evidence-based, acting as a global centre of excellence for more effective corporate reporting. <IR> is a way of bringing together all aspects of corporate activity, behaviour and decision-making within a single report. It offers a basis for discussion and alignment of all the issues affecting an organization, with the aim of developing a unified, coherent approach.

See how we engage with our coalition and stakeholders on pages 10-11

Our brand values

Be market-led. Listen, understand and consider market needs and coalition views in relation to <IR> development and adoption.

Communicate with clarity. Ensure positions, outputs and engagement are clear and simple. Signal directions that will lead to better outcomes in corporate reporting.

Facilitate change. Demonstrate how reporting influences behaviour and can facilitate innovation and change.

Promote cohesion. Support a clear, consistent picture of the reporting landscape, with <IR> as a model for corporate reporting and a basis for dialogue and alignment.

What we do

Our mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors. Our vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

Through our mission and vision, we consider ourselves a driving force for enhanced accountability, stewardship and trust in capital markets. We believe that <IR>, underpinned by integrated thinking, improves decision-making by businesses and providers of financial capital alike.

About this report

Standards, frameworks and methodologies

Our Integrated Report 2015, covering the year ending 31 December 2015, demonstrates how we create value over time, in accordance with the International <IR> Framework. Our financial statements, found in the Appendix, are prepared according to International Financial Reporting Standards, as adopted by the European Union, and applicable law. Our principal accounting policies, which apply consistently throughout the entire year, are explained in Note 2 to the financial statements. The functional and presentational currency of the IIRC is pound sterling.

How we determine materiality

Our integrated report explains the opportunities and challenges that influence our ability to create value. To identify relevant matters, we have drawn on various engagement mechanisms, such as our many bilateral and multilateral engagements with our worldwide stakeholders. We consulted the minutes of our biannual Council meetings, as well as the meeting agendas and minutes of our Board and Governance and Nominations Committee meetings, to identify recurrent themes. We also captured regional perspectives and local policy developments through our own and seconded staff who, in 2015, spanned 12 countries. This resulted in a list of 17 relevant matters.

See our material matters on page 12

Responsibility for the integrated report

As the Board of the International Integrated Reporting Council, we acknowledge our responsibility for ensuring the integrity of our Integrated Report 2015. Together with management, and reflecting on our operating context, strategy and value-creation model, we believe that this integrated report addresses all matters that have, or could have, a material effect on our ability to create value. We have applied our collective mind to the preparation and presentation of information in this integrated report, which has been guided by the International <IR> Framework.

Keep up to date with our news via Twitter
@ theiirc

Learn more about the IIRC online at
www.integratedreporting.org

Our **global reach**

Organizations globally are increasingly aligning their practices to <IR>. The International <IR> Framework's principles-based approach provides flexibility to accommodate local laws, regulations and other reporting requirements.

This map show the IIRC's global reach – countries where we have a Council or team member, Ambassador, or <IR> Business Network participant.

28

team members

65

<IR> Business Network organizations

71%

of investors consider integrated reports essential or important when making investment decisions (Source: EY)

£1.4m

in income

223

<IR> Examples Database extracts

1,240

members of <IR> LinkedIn group

4,467

followers of <IR> Twitter account

Making **progress**

Paul Druckman
Chief Executive Officer

Mervyn King
Chair of our Council

Barry Melancon
Chair of our Board

We are pleased to communicate the IIRC's annual performance, for the first time, in the form of an integrated report. As part of our market-based philosophy, our Board and Council believe it is important that we follow the principles we advocate.

Our continued progress towards achieving the objectives of our Breakthrough Phase strategy features centrally throughout the report.

In preparing our inaugural integrated report we have realized some of the key benefits of integrated thinking, which, despite our small size, are considerable. We aim to convey these benefits in the following account of our strategy, governance, performance and prospects.

The benefits of integrated thinking have been immense – including a deeper understanding of the value we create across our organization and the need to evolve our internal reporting. However, we are not immune to the implementation challenges. We know we have room for improvement, and we commit to developments that will improve both the timeliness and content of future reports, as shown on page 36.

This report underscores our commitment to acting as a force for financial stability and sustainable development. In addition to explaining how we create value for the IIRC and for others, we explore the opportunities and challenges arising from such trends as technology-enabled advances in reporting, the introduction and enhancement of corporate governance codes, and a growing movement for inclusive capitalism. Aligning <IR> with these trends will encourage its adoption.

See our commitment to the Sustainable Development Goals on page 37

A key achievement during 2015 was the release of new academic evidence that supports the business benefits of <IR> adoption. As early as January 2014, Harvard Business School research indicated that businesses that are on the journey towards Integrated Reporting, and starting to efficiently communicate with investors about how they make value over time, are attracting more stable investment. Late in 2015, a KPMG-National University of Singapore study showed that firms disclosing broader information than just financial data outperformed their peers in a controlled study from 2010 onwards, and was the first study in the world to demonstrate a correlation between Integrated Reporting and a lower cost of capital. Further research led by Stanford University and released in December 2015 examined the quality of Integrated Reporting in South Africa and found positive associations with stock liquidity and firm value.

Our work with the Corporate Reporting Dialogue is set out on page 24

There are increased levels of <IR> adoption in many economies, including South Africa, Japan, Malaysia, Germany, the United Kingdom and Brazil, with breakthrough having been achieved in South Africa and Japan, where <IR> adoption has become mainstream. The strong increase in adoption by companies listed on the Tokyo Stock Exchange stemmed from recent corporate governance reforms initiated by the Abe Government. KPMG Japan research showed 205 self-declared integrated reports in 2015, up from 142 the previous year.

In 2015 there was increased interest from institutional investors, support that continued into early 2016. An EY study of investor needs and trends, released in October 2015, found that investors are increasingly reliant on more than just financial information, and enthusiastic about the benefits of integrated reports. The study reported that 71% of respondents consider integrated reports essential or important when making investment decisions, and, more than ever before, investors are using this information to draw conclusions on value to better inform and underpin their decisions. The EY study also found that the use of integrated reports by investors is on the rise across all continents.

In his February 2016 letter to S&P 500 CEOs, BlackRock CEO Laurence Fink encouraged a longer-term focus and reporting that provides a more strategic, holistic view of performance. Notably, the alignment between this call to action and <IR> was highlighted by the CFA Institute, the professional body of chartered financial analysts, in a subsequent letter to the Financial Times.

We continue to engage with regulators, stock exchanges and other securities regulators, whose involvement is essential in promoting adoption of <IR>. One effect of <IR> is to increase cohesion in the corporate reporting landscape by improving the comparability and relevance of corporate reporting, and the work of the Corporate Reporting Dialogue is critical to the success of this objective.

The current period of innovation in corporate reporting should see the market settle on practical and implementable solutions. <IR> is one of these solutions and we are confident that the International <IR> Framework remains the best signpost for understanding and articulating value creation in the 21st century. The IIRC's continued engagement with the international B20 Coalition also ensures visibility of corporate reporting tied to the macro agenda of the world's economies.

The United Nations Sustainable Development Goals, launched during 2015, with their wide remit over a range of global issues, including human rights, good governance, peace, and stability, will require concerted effort from all businesses and markets if they are to be achieved. <IR> helps individual organizations play their part in reaching these goals through integrated thinking and enhancing their reporting process, by prompting consideration of the International <IR> Framework's six capitals in decision-making and resource allocation, and thinking about the wider ramifications beyond the purely financial.

We will continue to support the implementation of the Sustainable Development Goals in 2016 and beyond and, in future, <IR> will be the language in which companies will communicate their actions in relation to these goals. While our own work is most closely aligned with Goals 12 and 17, <IR> itself relates to many more of these goals.

We would like to express our thanks for the dedication and commitment of the IIRC family – our Board, Council and talented team – without whom the progress outlined in this integrated report would not be possible. Our sincere thanks also go to ACCA for hosting our London office for the past four years and to CIMA, which has generously agreed to host our London office. Following year-end, our Board announced Paul Druckman's decision to step down as CEO in 2016. At the time of writing the Board is undertaking an international search for a new CEO, a process that may conclude before the publication of this report. Paul has agreed to continue his tremendous efforts leading our organization until a successor is named, and the Board and Council thank him for his passion and drive during his tenure.

Barry Melancon
Chair of our Board

Mervyn King
Chair of our Council

Paul Druckman
Chief Executive Officer

How we create value

IIRC value creation diagram

Inputs

Funding
Cash reserves, contributions, in-kind support

Intellectual capital
International <IR> Framework, guidance, research, database, organizational knowledge

People
IIRC team, supporter organizations, Board, Council, Ambassadors

Relationships
Networks, strategic partnerships, collaborations

Activities

Internal factors

Guide

Connect

Convene

External factors

Outputs

Publications and events that provide guidance, training and illustrations of leading practice

Material that explains the benefits of <IR> to report preparers, providers of financial capital and other stakeholders

Networks, programmes and policy efforts that stimulate system change in capital allocation and corporate behaviour

Outcomes

Funding
Funds converted to operations, reserves, and intellectual capital

Intellectual capital
Expanded body of research, guidance and thought pieces

People
Capability-building across the IIRC and its networks

Relationships
Robust networks and global reach to support engagement and collaboration

Nature
Planetary limits elevated in business and investor decisions

Value created

For the IIRC	Strengthens our long-term viability and supports the continued delivery of our mission	Enhances our credibility, anchors our policy and engagement efforts and supports our access to funding	Enriches the knowledge, skills and commitment of our team	Accelerates our mission through a 'multiplier effect' across our networks	Advances a core element of our vision, namely to promote sustainable development
For others	Complements similar agendas that promote financial stability	Fosters awareness of <IR> and encourages capital markets to consider the full range of factors that drive or erode value	Extends capability building to IIRC supporters and aligns their efforts to the broader goals of <IR>	Mobilizes those with a common interest in promoting financial stability and improving the management of resources	Promotes sustainable development through enhanced stewardship of environmental resources and processes

The <IR> movement is driving enhanced accountability, stewardship and trust in capital markets. <IR>, underpinned by integrated thinking, improves decision-making by businesses and providers of financial capital alike. The efficient and productive allocation of capitals is a cornerstone for financial stability and sustainable development. We pursue these ideals through our value creation model, as depicted in the diagram opposite and described below.

Inputs

We rely on four capitals, starting with funding, for the smooth functioning of our operations. We depend on diverse funding streams, including cash and in-kind contributions, such as pro bono secondments, from our extensive range of supporting organizations. Our core intellectual capital is also central to achieving our goals. Developed over three years, the International <IR> Framework is the product of extensive consultation and multi-stakeholder perspectives. Our intellectual capital also includes research studies and thought pieces prepared independently or with others. This material provides an evidence base for the benefits of <IR> and helps to showcase leading practice. Our people – collectively, our core team, Board, Council, Ambassadors, strategic partnerships, formal networks and other supporter organizations – all work to progress our agenda. Our team, whose diversity lends varied perspectives and global reach, is fortunate to be surrounded by others who contribute their time, energy and enthusiasm to the <IR> movement. Our mission unites us, but the strength and quality of our relationships sustain us. Our people promote our core messages to thousands of like-minded advocates around the world. In addition to funding, our partners also provide vital support through research, event hosting and other in-kind contributions.

See how our activities support our Breakthrough Phase strategy on pages 18-29

Activities

We execute our strategy through three principal activities:

- **Guide**
  We explain the purpose, application and expectations of <IR>.
  We do this by clarifying International <IR> Framework concepts and highlighting leading practice in presentations, publications and other channels.
- **Connect**
  We link <IR> to other concepts, priorities and developments.
  We do this by showing alignment between <IR> and evolving stakeholder expectations, business interests and investor needs.
- **Convene**
  We gather participants of the reporting and investing landscape to learn, exchange and collaborate.
  We do this through our various networks, the Corporate Reporting Dialogue, conferences, meetings and other events.

These activities are mutually reinforcing and consistent with our commitment to managing our performance in an integrated way.

Outputs

Our activities generate a range of outputs, starting with our guidance-oriented publications and <IR> Examples Database. We are also currently implementing an <IR> Training Programme, based on our <IR> Competence Matrix, through select training partners. Our 'Creating Value' publications continue to connect the benefits of <IR> to the interests and priorities of businesses, investors and other stakeholders. We curate an extensive range of related third-party research and consolidate this information on our website. Some outputs are less tangible than this, but are just as valuable in promoting <IR>, for example through networking with businesses, investors and policy makers. Our flagship network, the <IR> Business Network, has generated a number of special interest networks covering the banking, insurance, pension, technology and public sectors. We also bring together influential reporting standard setters and framework developers through the Corporate Reporting Dialogue, which generates independent outputs. Finally, we advance our policy work through position papers, targeted roundtable discussions and meetings with key influencers.

Outcomes

Our outcomes are the internal and external consequences of our activities and outputs, which are focused on achieving our goals. We structure our analysis of outcomes on the basis of the capitals that we use or affect. This provides a more holistic view of our individual impacts, as well as the trade-offs that ultimately shape our collective impact. For example, to run our operations, develop our research, guidance and thought pieces and solidify our network of relationships and collaborative partnerships, we necessarily deplete a portion of our funding. In exchange for this, the work funded builds capability and enthusiasm for the <IR> movement across our team and extended network. This has influenced, and continues to influence, the way business and investment decisions are made. By coupling effective resource allocation with business model and strategy considerations, we continue to entrench the reality of planetary limits in business and investment consciousness.

Value created

In line with the International <IR> Framework, we distinguish between the value we create for ourselves and the value we create for others, recognizing they are inextricably linked. The diagram opposite provides this analysis, which is again based on the capitals we use or affect. In brief, our efforts foster public awareness of <IR> and encourage capital markets to consider the full range of factors that create or diminish value. These efforts complement external agendas that focus on financial stability and sustainable development and mobilize others to take part. As we pursue our vision, joining forces with others along the way, we extend capability-building to our many supporters and contemporaries.

The relationships and partnerships we cultivate accelerate our progress more effectively than we could alone. In our collaborations we find and embrace complementary agendas, which fortify our own. We use these valuable exchanges to enrich our skills, knowledge and enthusiasm and improve the quality and credibility of our work. These activities support our strategic execution, access to funding and long-term viability.

Responding to **global trends**

Understanding key global trends, and how <IR> fits within the overall political and regulatory economy, is vital in ensuring that <IR> is relevant and responsive to today's issues and tomorrow's needs

This is a dynamic time for corporate reporting, with market initiatives, public sentiment and policy developments sparking innovation and experimentation. Disruption to conventional business models, evolving communications technologies, value increasingly based on human and intellectual capitals, and acknowledgement of climate change as a business priority are shaping the business and investment landscape.

Such changes validate our mission and reinforce our calls for enhanced transparency, reduced complexity and holistic thinking. We explore the most noteworthy trends here.

Globalization and interconnectedness

Given the interconnected global economy, the International Monetary Fund, World Economic Forum and other institutions continue to highlight the danger of managing risk in isolation, or by geography or type. <IR>'s encouragement of integrated thinking can make it an important tool for responding to this issue.

See our strategic risks and opportunities on page 13

Inclusive capitalism

The recent global financial crisis highlighted inequalities that threaten growth potential and development opportunities. Governments and intergovernmental organizations are increasingly interested in elevating social and environmental considerations into economic and financial decision-making and, in doing so, making capitalism more equitable, sustainable and inclusive. By extension, supporters of inclusive capitalism are keen to measure the well-being of nations to allow better understanding of human and societal progress. These developments reinforce the multi-capital approach of <IR> to measuring, managing and expressing broader aspects of value creation.

See how inclusive capitalism is embedded in our strategy on page 15

Stewardship and corporate governance

The concept of stewardship, allied to principles of corporate governance, is becoming more prominent around the world. Stewardship codes, such as those introduced in Japan, South Africa and the United Kingdom, reflect investors' role as custodians of an ever-growing pool of retirement savings and other financial assets for millions of people. Increased shareholder involvement in governance encourages stronger engagement between investors, boards and senior executive teams, bridging the information gap between businesses and investors and creating a setting in which <IR> can become the reporting norm.

See how we are aligning <IR> and corporate governance developments on page 27

Sustainable development

Developments such as the United Nations Sustainable Development Goals, European Union Non-Financial Reporting Directive and Paris Agreement on climate change reinforce the status of sustainable development as a public and private sector imperative. Capital markets continue to struggle, however, with translating broad ambition into concrete actions and policies. <IR> can help close this gap for businesses and investors.

Technological change

The nature and pace of technological change can affect, for better or worse, an organization's operation, innovation and valuation. <IR> encourages organizations to communicate the material impacts of technology on their strategy, risk management and business model viability. Within organizations themselves, technology offers vast potential for enhancing the quality, availability and utility of information. We are exploring this potential through our <IR> Technology Initiative, which considers how technology can be used to develop corporate reporting and accelerate the global adoption of <IR>. The <IR> Technology Initiative involves companies from a range of disciplines, including software development, systems integration and consultancy, and provides a forum for shared learning and market innovation.

Initiative overload

Of course, there is a downside to these developments. The pace of change and proliferation of initiatives can confuse those not directly involved in their development. Emerging options, ideologies and requirements compete for time and attention and often evolve in silos. In responding to market or societal needs, standard setters and framework developers may introduce new terminology and requirements, creating the appearance of fragmentation and additional burden. We recognize these challenges and are committed to explaining our own role and forming productive alliances in the public interest.

See how we are are harmonizing corporate reporting on pages 24-25

An inclusive **coalition**

As a global coalition of diverse parties, we depend on meaningful and productive interactions with our stakeholders. As shown in the value creation model on page 6, strong relationships – in the form of networks, strategic partnerships and collaborations – drive our activities and outputs forward in the public interest.

See our strategic performance on pages 18-29

Learn about our governance structure on pages 32-35

Our understanding of stakeholders' needs and interests therefore impacts our strategic and operational effectiveness. This section highlights important mechanisms for soliciting stakeholder views and understanding their perspectives, which we have embedded in our governance structures, strategy and normal activities. We do, however, acknowledge the need to improve our formal collation, analysis and communication of feedback received – we will strengthen these areas in the coming years.

Business and other reporter entities. The International <IR> Framework was developed to help businesses and other organizations prepare integrated reports. During the Framework's development, we worked closely with IIRC Pilot Programme Business Network participants to understand their reporting challenges. We also collected and published feedback from report preparers via a formal consultation process in 2013. In the two years following the launch of the Framework, we have continued to invite input from businesses and other reporting organizations. Our various <IR> Networks have proven to be effective channels for public and private sector input, as has our Council, which includes representatives of the business community. Conferences, meetings and our LinkedIn group offer other channels for business input.

Providers of financial capital. An organization's integrated report should explain to providers of financial capital how it creates value over time. On this basis, it is critical that we understand the information needs of the investor community. Our engagement strategy therefore focuses on direct consultation with leading asset owners and others in the investment chain, as well as investor-led initiatives that align with <IR>. We emphasize those initiatives that relate to investor stewardship, corporate governance and longer-term investment. In terms of engagement channels, we pursue a variety of mechanisms. We liaise with investors and their networks for input and advice. We also rely on investor representatives on our Council during biannual meetings and interim consultations. Our targeted meetings and conference appearances provide a third avenue for receiving input.

Framework developers and standard setters. Standard setters and framework developers introduce new disclosure requirements and terminology as they endeavour to fill reporting gaps. These contributions can fuel the perception among market participants of a 'reporting patchwork'. It is important, therefore, that reporting initiatives work together in the interests of clarity, coherence and consistency as appropriate. Our primary mechanism for receiving substantive input from framework developers and standard setters is the IIRC-convened Corporate Reporting Dialogue. We also engage with these organizations through Council participation and individual memorandums of understanding.

Accountancy profession. Accounting bodies and firms are effective advocates of the <IR> movement. Their memberships and learning programmes provide numerous opportunities to influence professional competencies and extend <IR> adoption. Our Council, which includes strong representation of the accountancy profession, provides one vehicle for engaging with this important stakeholder group. Through our memorandum of understanding with the International Federation of Accountants, a critical 'umbrella' body, we are able to solicit representative feedback on a regular basis.

> "Our primary mechanism for receiving substantive input from framework developers and standard setters is the IIRC-convened Corporate Reporting Dialogue."

- Business and other reporter entities
- Providers of financial capital
- Framework developers and standard setters
- Accountancy profession
- Policy makers, regulators and exchanges
- Civil society
- Academia
- IIRC team

Policy makers, regulators and exchanges. Intergovernmental organizations, supra-national bodies and think tanks have significant influence on global policy and regulation. Likewise, governments, regulators and stock exchanges are critical entities by virtue of their ability to introduce hard or soft law. These parties' broader interests in economic prosperity, infrastructure development, sustainable development and capital market efficiency are natural tie points for <IR>. On this basis, we have ensured that such bodies are well represented on our Council, to afford formal, biannual interaction at the very least. We also make a point of meeting with regulatory bodies, national securities commissions and stock exchanges throughout the year to understand regional contexts and identify potential barriers to <IR> uptake. We also respond to relevant consultations to encourage alignment and coherence across the corporate reporting landscape.

Civil society. As our vision references sustainable development, non-governmental organizations are an important stakeholder and are represented on our Council. We prioritize our strong working relationships with non-governmental organizations, often promoting their initiatives that align with <IR> and create an opportunity for reporting to have wider reach and impact, such as the UN Sustainable Development Goals.

Academia. We look to academic institutions for impartial research into the relationship between enhanced corporate reporting and such factors as cost of capital, share price behaviour and business performance. We receive the perspectives of academia through their published research studies, the <IR> Academic Network and our Integrated Reporting <IR> LinkedIn group.

IIRC team. Our global team is responsible for delivering the IIRC's work plan. Monthly team calls, quarterly regional conference calls and periodic 'virtual workshops' provide opportunities to share individual and regional perspectives. We aim for physical meetings once a year, with smaller in-person meetings built around conference travel where practicable. Our internal monthly reporting and annual performance reviews are other mechanisms through which team members can raise interests or concerns. In 2016, we are launching our first annual team engagement survey.

In addition to the preceding engagement mechanisms, we receive feedback via our central inbox, info@theiirc.org. We continue to consult with our Ambassadors around the world to understand business, government and regional views. We are conducting a stakeholder survey in 2016 to collect structured feedback on our direction, performance and impact.

"We continue to consult with our Ambassadors around the world to understand business, government and regional views."

Our material matters

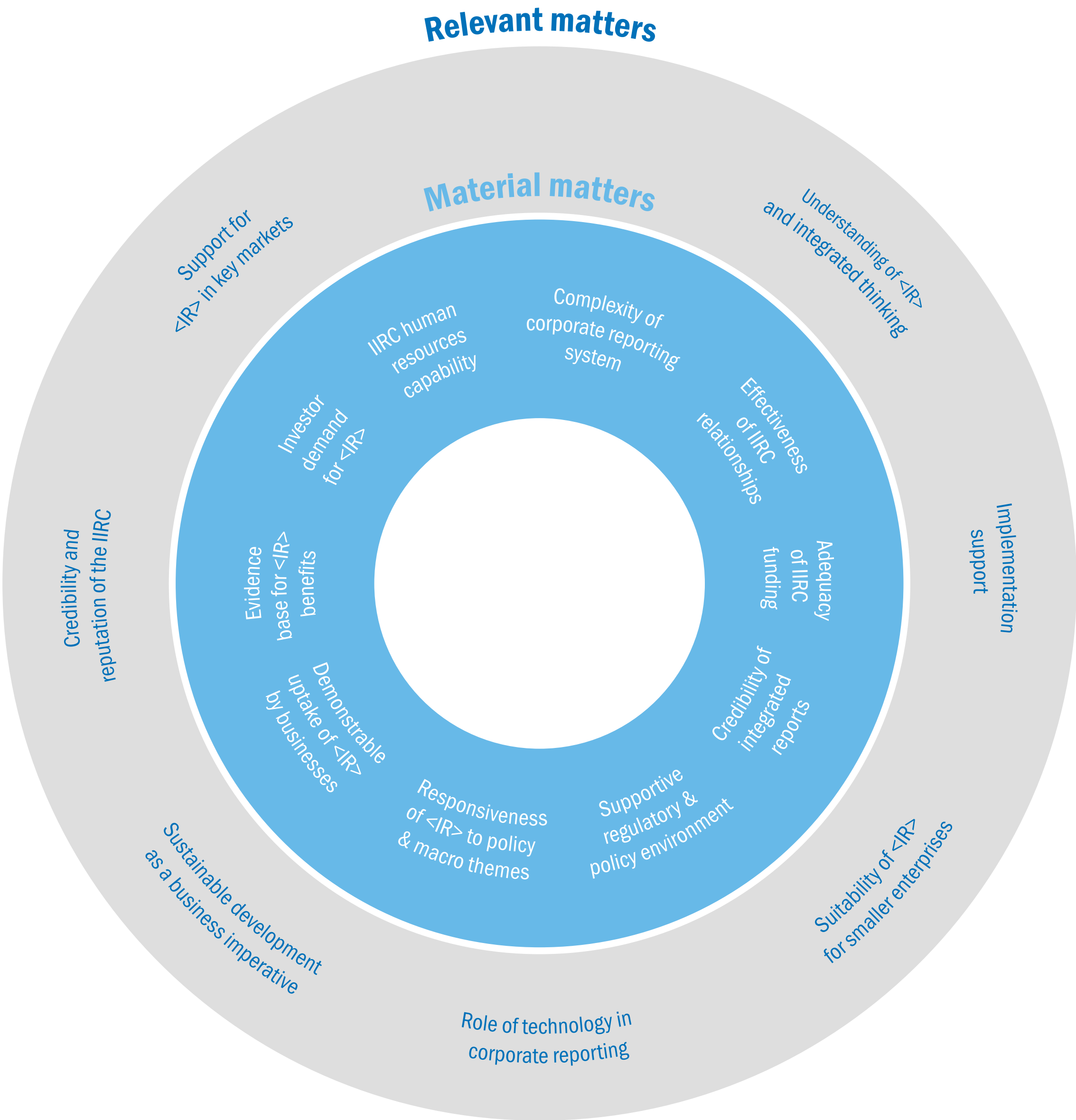
Our management team prioritizes relevant matters according to how frequently they arise, in practice or through interactions with stakeholders, internally or externally. The prioritization also reflects these issues' perceived likelihood and severity, impact on strategy and potential influence on other factors that drive or erode our ability to create value. In this way, relevant matters are assessed for both their individual and collective influence. The management team then presents the IIRC Board with its conclusions and methodology for determining material matters, for the Board's review, challenge and debate.

Of the seventeen matters we identified as relevant to our value creation, we have deemed ten to have a *material* influence. Some are risks that require careful management. Others are opportunities on which we must capitalize to achieve a meaningful shift towards early adoption of the International <IR> Framework by 2017.

We classify our material matters according to three connected themes:

- **Value proposition of <IR>**
  Drives adoption and attracts funding and operational support
- **Pace and scale of adoption**
  Shows proof of concept and builds momentum for broader uptake
- **Operational capability**
  Helps manage risks and opportunities, demonstrate the case for <IR> and fulfil bold ambitions

IIRC relevant matters



The risks and opportunities arising from material matters and the IIRC's response

	Material matter	Risk / Opportunity	Response	Reference to strategic theme	Timeframe
Value proposition of <IR>	Responsiveness of <IR> to policy and macro themes	The connection between important macro trends and intellectual, human, and social and relationship capitals provides a platform for meaningful policy engagement	Prepare information papers on inclusive capitalism, Sustainable Development Goals, the role of the accountancy profession, long termism and infrastructure financing, climate change, and investor benefits Meet with European and global policy makers and influential thought leaders to understand and demonstrate the fit between <IR> and broader policy agendas	5	Short term
Value proposition of <IR>	Credibility of integrated reports	By misapplying the International <IR> Framework, some reports may fail to meet investors' information needs	Develop a body of leading practice through the <IR> Examples Database Collate and present evidence on the benefits of <IR> Encourage and promote external reporting awards, case studies and benchmarking studies	1 2	Medium term
Value proposition of <IR>	Evidence base for <IR> benefits	Insufficient understanding of the tangible benefits of <IR> to businesses, investors and broader capital markets may hinder mainstream adoption	Compile evidence, notably from academia, that demonstrates the business case for <IR> Encourage, commission and promote research in such areas as value creation, business and investor decision-making, and financial implications of <IR> Continue to publish our 'Creating Value' series	1	Medium term
Pace and scale of adoption	Complexity of corporate reporting system	<IR> is one among many reporting standards, frameworks and initiatives, leading some to consider it as yet another reporting burden	Clarify our message to ensure a better understanding of <IR> Work through the Corporate Reporting Dialogue to explain how reporting standards and frameworks align with and support <IR>	4	Short term
Pace and scale of adoption	Investor demand for <IR>	Insufficient demand from investors could deter business adoption of <IR>	Build relationships with investors directly or through intermediaries Work with institutional partners to develop and express the case for <IR> from an investor perspective	3	Medium term
Pace and scale of adoption	Demonstrable uptake of <IR> by businesses	A pronounced and measurable shift to <IR> could stimulate further uptake of the International <IR> Framework in support of a critical mass	Capture and promote experiences of successful <IR> adoption by Business Network participants Work with local networks and partners to promote the adoption of the International <IR> Framework Communicate the evidence base for <IR> benefits through our own and partner channels	1	Medium term
Pace and scale of adoption	Supportive regulatory and policy environment	We have the potential for further effective engagement with the regulatory and policy community, which is critical to building effective, market-based strategies and accelerating market acceptance of <IR>	Work with regulators to remove real and perceived barriers to adoption, and encourage further endorsement of <IR> Engage with regulators and policy makers to understand local contexts Ensure market strategies are developed collaboratively and reflect local context	5	Medium term
Operational capacity	Human resources capability	Low headcount, competency gaps and broad workforce distribution constrain our potential	Engage widely to identify opportunities for secondment, based on an assessment of expert skills and roles required in our organization to execute our strategy	6	Short term
Operational capacity	Adequacy of IIRC funding	Current contributions and in-kind support do not match our ambition, restricting our ability to take full advantage of the current momentum for <IR>	Prioritize IIRC funding efforts at CEO and Board level Identify and maximize both revenue streams and funding sources Establish a charitable foundation to receive funds from benevolent foundations or similar funds	6	Short term
Operational capacity	Effectiveness of IIRC relationships	We have partners and peers, including members of our coalition, who can help to build awareness of <IR> and advance our vision	Identify and progress opportunities to work with partners to drive <IR> awareness, advocacy and adoption through multiple points of influence Review key relationships twice a year to ensure continuing support and resources to execute our strategy	6	Medium term

See the strategic themes of our Breakthrough Phase on page 16

Achieving a **meaningful shift**

The driver for establishing the IIRC was the need for reporting to evolve to meet the needs of the 21st century

Reporting can be a catalyst to support better outcomes such as inclusive capitalism and address risks to capital markets systems, climate change and sustainable development.

Our strategy is designed to increase adoption of Integrated Reporting in a way that links to significant global trends. It also seeks to ensure corporate reporting is firmly rooted in best practice corporate governance, driven by the board, and linked to better information flows to investors. We adapt our focus to developments at the macro level, such as climate change. We also recognize the need for flexibility in adoption to reflect reporting practices and policy priorities in individual countries – not least, to align to economic development plans or regulator objectives such as addressing disclosure quality and burdens.

We track these developments and pursue an inclusive strategy-planning approach with our Board, Council and other key stakeholders. We follow a four-phased strategic plan, as shown on page16, to achieve our near- and long-term priorities.

As a small organization, we prioritize markets, sectors and partners to ensure our collaborations yield maximum benefit. We also work with leading report preparers through our <IR> Business Network and with investors, whose support for <IR> stimulates market demand.

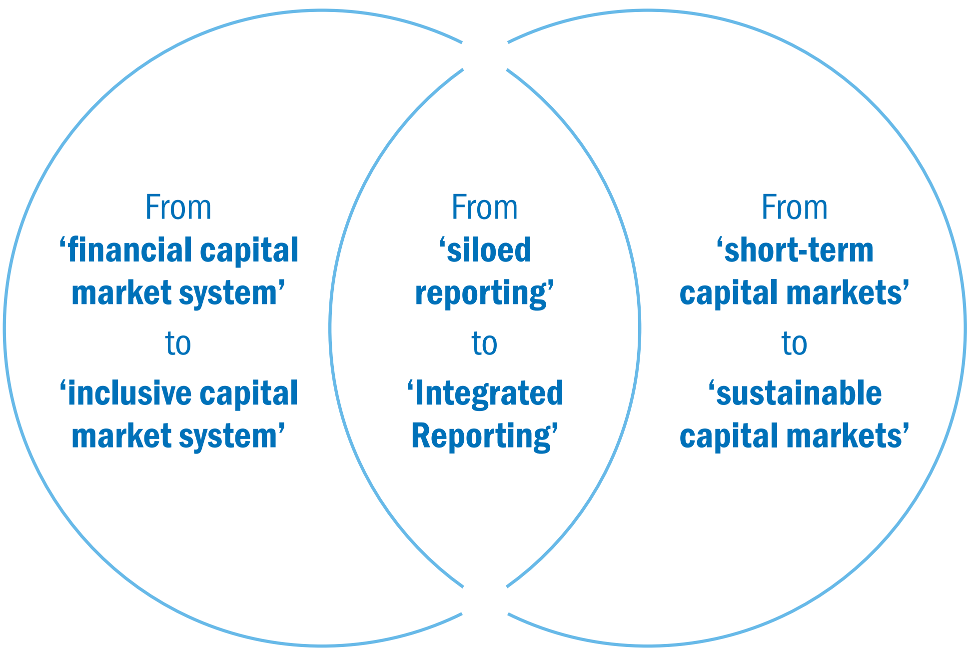
Near-term strategy

We are currently in the Breakthrough Phase of our strategy, during which we aim to achieve a meaningful shift towards early adoption of the International <IR> Framework. Six strategic themes underpin this phase and are supported by our guiding, connecting and convening activities. Through these strategic themes, we will advance our strategy through to 2018 and establish a solid foundation for majority adoption of <IR> from 2018 onwards.

We have shown over the last three years, through our policy and communications efforts, that an integrated and inclusive corporate reporting system can have practical benefits for businesses and investors alike. But our sights are not fixed solely on the role of <IR>; we believe that two other important shifts must happen in tandem. Our near- and long-term strategies will, therefore, continue to emphasize our 'three shifts' philosophy (see diagram below):

1. The first shift is the movement of economies from a financial capital market system to an inclusive capital market system, recognizing that a financial capital market system is insufficient to guard against the multi-faceted and interconnected risks of the future.
2. The second shift denotes a movement in capital markets from short-termism to sustainable capital markets, with incentives that encourage and reward long-term decision-making.
3. The third shift recognizes the need for corporate reporting to move from siloed reporting to Integrated Reporting, the mainstream adoption of which will contribute to financial stability and sustainable development. Each shift is to be underpinned by practical, actionable recommendations that support the move to a more stable global economy.

Our 'three shifts' philosophy



Our strategy
continued

Our four-phased strategic plan

Feasibility
July 2010 – December 2011
Determining the conceptual viability of <IR> and the extent of market support for the IIRC and the International <IR> Framework.

Creation
January 2012 – September 2014
Developing the International <IR> Framework, building global awareness and support, and encouraging experimentation.

Breakthrough
October 2014 – December 2017
Achieving a meaningful shift towards early adoption of the International <IR> Framework.

Global adoption
2018 and beyond
Achieving widespread adoption of the International <IR> Framework resulting in <IR> becoming the accepted norm in the public and private sectors.

Six strategic themes of the Breakthrough Phase

1 Increase the pace and scale of <IR> adoption
See page 18

2 Maintain the International <IR> Framework, underpinned by leading practice and guidance
See page 20

3 Build a bridge from corporate reporting to capital allocation
See page 22

4 Progress through dialogue: Develop the Corporate Reporting Dialogue
See page 24

5 Engage with global policy makers and regulators
See page 26

6 Develop a long-term, viable organization
See page 28

Performance and outlook against the Breakthrough Phase strategy

Since the release of the International <IR> Framework in December 2013, we have seen steady uptake in markets such as South Africa and Japan. In both countries, businesses have shifted from early market testing to broader acceptance of <IR> as a corporate reporting norm. We also see an expanding base of integrated reports across Europe, including the Netherlands, Germany, France, Spain, Italy and the United Kingdom. Growing awareness and understanding of <IR> across global capital markets fuels further optimism and, given our relatively short history, these developments alone are encouraging.

Despite these advances, there is still much to be done. Our activities are not performed in isolation. They influence, and are influenced by, a range of internal and external factors. During 2015, we continued to pursue our objective of achieving a meaningful shift towards early adoption of the International <IR> Framework. The following section explores our 2015 performance, priorities for 2016 and near-term outlook for each of six strategic themes of our Breakthrough Phase strategy. For each theme, we also highlight the connections to our material matters, as described on page 13.

Longer-term strategy

Our strategy for 2018 and beyond reflects a repositioning from breakthrough to global adoption of <IR>. This strategy will be built on two pillars. The first will focus on achieving widespread acceptance of <IR> as a principle of 21st-century corporate governance. The second will be concerned with the broader corporate reporting system and, in particular, the role of <IR> as a catalyst for greater cohesion within the system.

While our strategic direction will change, our vision and mission will remain focused on mainstreaming <IR> and aligning capital allocation and corporate behaviour to the goals of financial stability and sustainable development. Although capital markets will remain the central catalyst for <IR> adoption, our strategy will also look to how <IR> can be embraced by the whole economy, including the public sector. The networks and partnerships that we have cultivated – and continue to nurture – will help to achieve scalability.

The quality of integrated reports in the marketplace will continue to be critical to enhancing the credibility of the <IR> movement and building the pace and scale of adoption. To this end, we will sharpen our focus on providing guidance to report preparers through a range of mechanisms.

Longer term, we strive to move from regulatory engagement to regulatory acceptance of the concepts of <IR>. We will therefore take a more active stance on encouraging the conditions that allow <IR> to flourish. We will seek regulatory support as a means of furthering market adoption and explaining jurisdictional differences in <IR> adoption.

Corporate reporting system at a glance

Corporate reporting has developed in regional and organizational silos, resulting in a multitude of laws, regulations and standards. That several elements of the current system do not work harmoniously is hardly a new observation. Market pressure to adapt and evolve to a rapidly changing world places further pressure on a corporate reporting system already characterized as 'patchwork'.

A holistic approach to corporate reporting, examining the connections between reporting standards and frameworks and various players in the system, will help drive cohesion and common purpose. Our efforts in this area centre on the Corporate Reporting Dialogue and its early work on mapping the landscape and examining the coherence of existing initiatives through the lens of <IR>.

> "During 2015, we continued to pursue our objective of achieving a meaningful shift towards early adoption of the International <IR> Framework."

Performance and 2016 outlook against the Breakthrough Phase strategy

Increase the pace and scale of <IR> adoption

1

2015 Priorities

- Support behavioural change in capital markets
- Demonstrate the business case for <IR> and create conditions for investor demand
- Enhance business and investor involvement in our work to reinforce our market-led approach

How we evaluate performance

- Partners and leading brands advocate <IR>
- Increased awareness of <IR> in key markets and sectors
- Increased likelihood of adoption
- Increase in Framework-referenced reports

Material matters

- Credibility of integrated reports
- Evidence base for <IR> benefits
- Demonstrable uptake of <IR> by businesses

Partners and leading brands advocate <IR>. During 2015, we worked with business and industry associations and corporate organizations to expand our reach and share leading practice. We extended arrangements in countries such as the Netherlands, through the Royal Netherlands Institute of Charted Accountants, and India, through the Confederation of Indian Industry, to establish networks on our behalf. We renewed memorandums of understanding with the Global Reporting Initiative and the Sustainability Accounting Standards Board to provide a basis for collaboration and clarify our roles within the corporate reporting landscape. Our reach into new markets was also accelerated through the efforts of influential partners. In late 2015, EY hosted our CEO's visit to China to establish a basis for a market-specific strategy that aligns with the country's political, regulatory and business context.

Australia's body of senior finance executives, the Group of 100, major accountancy bodies, The Governance Institute and the Shareholders' Association all prepared letters of support for <IR> to the Chair of the Australian Business Reporting Leaders Forum in 2015. The Institute of Chartered Accountants of India invited us to speak to some 2,500 conference participants. During the event, we received strong endorsement from the Chairman of India's Securities and Exchange Board, who subsequently joined our Board. In December 2015, we held a series of events in Japan, coordinated by the Japanese Institute of Certified Public Accountants, Japan Exchange Group, Japan Association of Corporate Executives, World Intellectual Capital Initiative and Ministry of Economy, Trade and Industry. Through 2015, businesses in Singapore sharpened their focus on <IR>, thanks in great part to a related 2014 publication by the Institute of Singapore Chartered Accountants. The market received further support from the Singapore Stock Exchange, which produced its own integrated report. South Africa continued to demonstrate unparalleled support through the Johannesburg Stock Exchange's listing requirements. In July, we attended the fourth annual Nkonki Integrated Reporting Awards for state-owned companies, which generated significant media coverage throughout South Africa. An accompanying report showcased the extent to which 20 state-owned companies had applied the Framework, sending a positive message to others in the region. In the United Kingdom, the 100 Group expressed support for <IR> to the chief financial officers of its member companies and noted that the Framework could serve as a catalyst for more effective reporting by UK companies.

Increased awareness of <IR> in key markets and sectors. Our partnerships have generated thought leadership by others, an important mechanism for influencing and guiding <IR> adoption. Our partners have also produced benchmarking and market insight studies to identify current reporting practices and how they might evolve towards <IR>. We issued regular briefings to communicate key developments to our partners.

2015 Performance summary

Our <IR> Business Network, which includes leading brands in priority markets, is driving progress among peers, but further effort is needed to meet our target of 100 participants. We have identified convening partners for regional and sector networks, allowing more effective and specialized engagement.

2016 Priorities

- Expand our <IR> Business Network through quality events and publications
- Launch our <IR> Training Programme through select Foundation Partners
- Encourage collaborating partners and network participants to advocate on our behalf
- Develop regional strategies to support <IR> adoption in key markets
- Convene a global <IR> conference

2016 Outlook

We are pleased with the high level of interest in our approved training programme. We anticipate continued expansion of <IR> in various markets. Our progress in Asia is expected to be slower than in other regions, due to relatively low engagement with our <IR> Business Network. We will continue to refine our strategies for Japan and China, in particular. Likewise, our U.S. strategy will be a priority in the coming years. There are challenges ahead but our efforts in 2015 provide a basis for increased adoption in 2016 and beyond.

30

the number of countries in which the Framework was referenced in annual reports

Our Council Chairman, Mervyn King, also led a discussion between our global network leaders to maximize their efforts and share good practice to extend outreach potential. We presented through a range of channels, from leading platforms at international events to our smaller-scale <IR> Business Network webinars, all of which contributed to building awareness of <IR> and its benefits. We noticed that both our organization and its message were greeted with familiarity during our many conference appearances throughout the year. Where on previous occasions we needed to explain the concepts of <IR>, in 2015 we were asked more about implementation strategies and ways to overcome barriers. These experiences gave credence to a November 2014 Chartered Global Management Accountant Briefing, which found that over 60% of senior executive members of the Chartered Institute of Management Accountants and American Institute of Certified Public Accountants were aware of <IR>. In November, our first Official <IR> Convention, held in London, attracted 180 participants from around the world, demonstrating continued interest in the <IR> movement.

This was also evidenced through our social media reach, with our number of Twitter followers increasing 36% and our LinkedIn group growing by 53%.

Increased likelihood of adoption. In April, KPMG Japan issued a *Survey of Integrated Reports in Japan – 2014*. The report noted that 142 Japanese companies issued an integrated report in 2014, up 46 from 96 the year before. Although the reports were of varying quality, we remain encouraged by <IR> progress in Japan. In May, the sustainable capitalism advocate, Generation Foundation, released a white paper, *Allocating Capital for Long-Term Returns*, noting that "an increasing number of companies are practicing integrated reporting or are in the process of making a transition to Integrated Reporting, suggesting that the market acknowledges the value of Integrated Reporting". In July, corporate governance forum Eumedion published survey results that found that more than one-third of

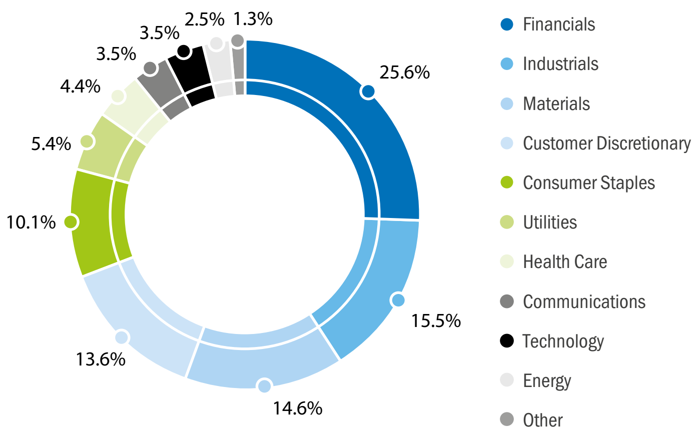
Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

Dutch-listed companies are preparing to transition to <IR>. Despite this progress, we continue to face a challenge in the North American market, where business uptake of <IR> continues to lag.

Increase in Framework-referenced reports. We saw a 7% increase in the number of Framework-referenced reports year on year, signalling modest but positive momentum for <IR> adoption. The Framework was referenced in reports across 30 countries and a wide range of sectors, with the highest number of Framework references from the financial (26%), industrial (16%), materials (15%) and consumer discretionary (14%) sectors. Many other organizations follow or partially apply the Framework without making explicit reference.

Framework referenced reports



Maintain the Framework, underpinned by leading practice and guidance

2

2015 Priorities

- Encourage and showcase leading practice through examples and case studies
- Build the evidence base for the benefits of <IR>
- Support the International <IR> Framework with robust technical guidance

How we evaluate performance

- Showcasing leading practice
- Enhancing the effectiveness and quality of application of Framework concepts

Material matter

Credibility of integrated reports

Showcasing leading practice. In May we enhanced the content and design of our online <IR> Examples Database. We improved search functionality to help visitors browse critiqued extracts and full integrated reports, including some given awards by third parties. Throughout the year, we also showcased leading practice through our monthly newsletter, six <IR> Business Network webinars and our first Official <IR> Convention, held in November.

"We see the need for high-quality implementation of the International <IR> Framework, so are increasing our commitment to providing guidance to the market."

Enhancing the effectiveness and quality of application of Framework concepts. During the year, several hundred businesses continued to apply the Framework, as issued in December 2013. Others applied the concepts of <IR> for the first time. The general market sentiment, as reinforced during our May Council meeting, was that there was limited appetite for near-term revisions to the Framework. The Council advised that we focus instead on showcasing leading practice and developing guidance to support the implementation of <IR>. To that end, we published *Assurance on <IR>: Overview of Feedback and Call to Action* in July. This publication reinforced our drive for trust and credibility in <IR> and summarized significant issues raised in related reports and earlier consultations on the matter. In particular, it reflected feedback from some 400 participants of roundtable sessions and 63 submissions to our formal consultation paper on assurance.

2015 Performance summary

Stakeholder feedback suggests a high level of satisfaction with the International <IR> Framework. We have an expanding body of leading practice examples and external parties are producing complementary resources in the form of benchmarking and implementation tools. Our plans going forward include greater emphasis on technical support to encourage high-quality adoption of <IR>.

2016 Priorities

- Maintain the <IR> Examples Database
- Codify formal procedures for the development of IIRC pronouncements
- Conduct a survey of integrated reports to find the extent and quality of Framework implementation
- Support the implementation of <IR> concepts through Practice Notes
- Establish a formal technical panel to support International <IR> Framework revisions and guidance development

2016 Outlook

We see the need for high-quality implementation of the International <IR> Framework, so are increasing our commitment to providing guidance to the market. We are also committed to communicating the rigour underpinning the development of IIRC pronouncements. In terms of showcasing leading practice, we are ready to expand the content of our <IR> Examples Database through additional resourcing.

In November, we published *Materiality in <IR>* jointly with the International Federation of Accountants. This publication explained the materiality concept in the context of <IR>. It also outlined Framework expectations with respect to disclosures on material matters and the corresponding materiality determination process.

Supporting organizations also generated independent and important thought pieces. For example, Deloitte issued its publication *A Director's Guide to Integrated Reporting* in March, and in November the International Federation of Accountants issued *Creating Value with Integrated Thinking*.

400

participants of roundtable sessions

63

submissions to our formal consultation paper on assurance

Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

Performance and 2016 outlook against the Breakthrough Phase strategy
continued

Build a bridge from corporate reporting to capital allocation

3

2015 Priorities

- Develop a global network of investors to support the vision of stable and sustainable capital markets
- Evaluate the impact of <IR> on corporate behaviour and capital allocation

How we evaluate performance

- Increased awareness of <IR> and its benefits across the investor community
- Mainstream investors rank <IR> as important to their investment decisions, seeing <IR> as offering 'investment grade' reports
- Investors recommend <IR> within their investment portfolio

Material matter

Investor demand for <IR>

Increased awareness of <IR> and its benefits across the investor community. December saw the publication of a KPMG-National University of Singapore study, *Towards Better Business Reporting*, which showed a correlation between <IR> and a lower cost of capital. The study concluded that capital markets are likely to reward firms that adopt the International <IR> Framework. This research corroborated findings of a 2014 survey by Black Sun plc, which solicited the views of 66 Business Network participants. The survey highlighted perceptions that <IR> gives investors a clearer view of organizational strategy and has the power to instil confidence in long-term business model viability.

Mainstream investors rank <IR> as important to their investment decisions, seeing <IR> as offering 'investment grade' reports. In October, EY published a report summarizing a survey of over 200 institutional investors around the world. The survey found that 71% of respondents considered integrated reports to be 'essential or important when making investment decisions'. The report reminded issuers of the importance of a business model narrative, a theme addressed in PwC's investor survey in 2014. In that study, PwC found that 70% of investors want to see clearer links between a company's financial results and its business model, risk and strategy information.

71%

of respondents considered integrated reports to be 'essential or important when making investment decisions'.

2015 Performance summary

Investor understanding of <IR> has progressed, as evidenced by research papers and public endorsements. Some leading trends, particularly in the areas of long-termism, risk management and corporate governance, are steering investors in the direction of <IR>. Nonetheless, we have yet to engage meaningfully with investor initiatives in a way that solidifies connections between <IR> and capital allocation. Furthermore, we lack a body of research that shows how information from integrated reports is used in investment models.

2016 Priorities

- Work with partners and initiatives that promote enhanced governance and long-term investment
- Build on our successful engagement with Australia's superannuation funds by extending our reach internationally
- Continue to build awareness of <IR> and its benefits among investors
- Stimulate investor demand for <IR> by obtaining influential endorsements
- Liaise with stock exchanges, positioning <IR> as a platform for informing and engaging the investment community

2016 Outlook

The calls for long-termism and a more holistic approach to investment decisions appear to be amplifying. These factors should drive stronger demand for <IR> from the investor community. Even so, more effort is needed to ensure that <IR> connects with relevant investor-led initiatives, and to build further awareness among the broader investment community. We have been able to pursue a limited programme but we will prioritize our efforts to recruit a new team member specializing in this area. The scale of work required in this area means that progress is slow, but the direction has improved noticeably.

Investors recommend <IR> within their investment portfolio. Although we are encouraged by the above findings, we are aware of the disparity between interest, as shown in empirical data, and tangible action. Businesses continue to cite a lack of groundswell of mainstream investor support for <IR> as an impediment to adoption. And, while we recognize the need to mobilize investors more effectively in 2016, we will continue to highlight the efforts of a pioneering few. For example, in July, New Zealand's investor-led Corporate Governance Forum supported the issuance of integrated reports by listed companies. Specifically, the Forum's guidelines recommend that: "the board should provide an integrated report that puts historical performance into context and helps shareholders understand [the] company's strategic objectives and its progress towards meeting them." In October, Eumedion issued its *11th Annual Focus Letter* to all Dutch listed companies. The letter highlighted <IR> as one of three key priorities for investors for the forthcoming year and continued to urge companies to take concrete steps towards <IR>.

"We have been able to pursue a limited programme but we will prioritize our efforts to recruit a new team member specializing in this area."

Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

Progress through dialogue: Develop the Corporate Reporting Dialogue

4

Material matter

Complexity of the corporate reporting system

2015 Priorities

- Convene major reporting framework developers and standard setters to provide market clarity and discuss the future of corporate reporting

How we evaluate performance

- Constructive exchange between reporting standard setters and framework developers
- External perceptions of the Corporate Reporting Dialogue

Constructive exchange between reporting standard setters and framework developers. We are also engaged in – and have to date acted as convenor of – the Corporate Reporting Dialogue. Meetings in March, May and November informed and united participants around issues of common interest. The initiative delivered its first major output in May, in the form of a web-based Landscape Map. The group initiated a second project, aimed at clarifying the similarities and differences between materiality approaches, in the second half of 2015 and published the results in the first half of 2016. In November, a panel of Corporate Reporting Dialogue participants spoke of the benefits of collaboration at our Official <IR> Convention. Despite these achievements, resource constraints impeded the initiative from reaching its full potential, an issue to be addressed in 2016.

External perceptions of the Corporate Reporting Dialogue. Feedback from the business community on the Landscape Map was generally favourable, with companies referring to the output as a useful navigational tool. Bloomberg also voiced its support: "The growth of corporate reporting has brought greater visibility into corporate performance, but also a challenge in sorting through the variety of reporting approaches available today. We welcome this landscape map as a tool that promotes greater alignment between corporate reporting frameworks and standards."

Notwithstanding this positive feedback, resource constraints limited market transparency and the breadth and timeliness of outputs. We aim to strengthen transparency and accountability in 2016.

"We welcome this landscape map as a tool that promotes greater alignment between corporate reporting frameworks and standards."

2015 Performance summary

The Corporate Reporting Dialogue has a work plan in place for discussion and collaboration on specific issues. The launch of the Landscape Map, and subsequent positive reaction, was an important milestone for the group. This progress was offset slightly by a market misunderstanding of the Corporate Reporting Dialogue's mandate, an issue accentuated by our own lack of transparency.

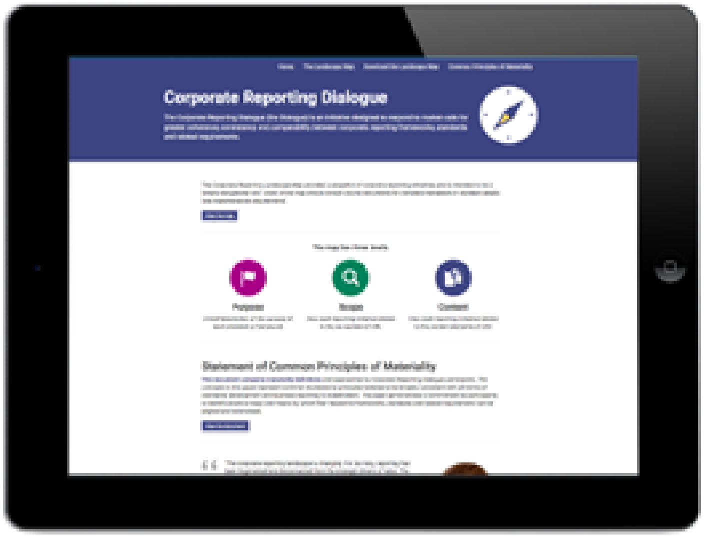
2016 Priorities

- Clarify, through a publication, the common principles and differences between materiality definitions and approaches of Corporate Reporting Dialogue participants
- Participate in a full-day strategy meeting to reflect on past accomplishments and future direction
- Revisit the Corporate Reporting Dialogue's terms of reference to ensure that they address collective priorities adequately and clarify its mandate

2016 Outlook

The Dialogue has shown progress. A new paper on materiality has been released and areas of priority agreed by participants for future development. We are now facing increasing calls from some partners for a greater input into the Corporate Reporting Dialogue's thinking. Progress is positive but could be greatly enhanced by additional resourcing in 2016 and beyond.

Corporate Reporting Dialogue Landscape Map



www.corporatereportingdialogue.com

Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

> "Progress is positive but could be greatly enhanced by additional resourcing in 2016 and beyond."

Engage with global policy makers and regulators

5

2015 Priorities

- Position <IR> as a solution to corporate reporting and other challenges among regulators and policy makers
- Seek support from governments and other regulatory authorities to accelerate <IR> adoption in a way that meets market needs, laws and customs

How we evaluate performance

- Support for <IR> by global leaders
- Explicit reference to <IR> in policy and regulatory initiatives
- Explicit alignment between <IR>, corporate governance and stewardship

Material matters

- Responsiveness of <IR> policy and macro themes
- Supportive regulatory and policy environment

Support for <IR> by global leaders.
In August, Sri Lanka's Prime Minister Hon. Ranil Wickremesinghe wrote in the Daily Financial Times, "...adopting Integrated Reporting will definitely benefit the corporate sector and make their reports more meaningful to investors and stakeholders. This will make our country more attractive for foreign direct investment and local private investment."

Explicit reference to <IR> in policy and regulatory initiatives.
2015 was an important year for <IR> among businesses and policy makers. Under Turkey's G20 Presidency reporting was part of the discussions for all six B20 task forces, and <IR> formed part of the recommendations in three areas:

- infrastructure and investment
- SME and entrepreneurship, and
- the cross-cutting theme of governance and sustainability.

As part of the recommendations, the B20 identified <IR> as leading practice in providing information on SME performance and reducing risk associated with SME financing. In September, Mark Carney, Governor of the Bank of England and Chairman of the Financial Stability Board, advanced his 'Tragedy of Horizons' analysis in a Lloyd's of London speech. During his speech, Mr. Carney highlighted the important role of disclosure in accounting for climate change. The official transcript of the speech cites Integrated Reporting as one of the more prominent initiatives here.

> "As part of the recommendations, the B20 identified <IR> as leading practice in providing information on SME performance and reducing risk associated with SME financing."

2015 Performance summary

We continued to monitor policy and macro trends throughout 2015 and were pleased by our alignment with B20 priorities such as infrastructure and investment, SME and entrepreneurship and governance and sustainability. We benefited from explicit reference to <IR> by leading voices in the policy and regulatory landscape. The link between enhanced corporate governance and the principles underpinning <IR> continued to be strengthened by others, including the International Corporate Governance Network.

2016 Priorities

- Identify and promote alignment of themes between <IR> and China's 2016 Presidency of the G20, particularly through the B20 summit
- Monitor and influence the European Commission Non-Financial Reporting Directive and provide feedback on proposed guidance
- Participate in the work of the Financial Stability Board's Task Force on Climate-related Financial Disclosures
- Ensure <IR> is positioned appropriately in corporate governance and investor stewardship codes

2016 Outlook

<IR> is well aligned to key developments in global policy and as explained in our 'three shifts' policy statement. We will maintain our focus on the G20 through our connections to the B20 working groups. Our aim is to heighten our profile during the G20's German presidency in 2017. We also believe <IR> is well positioned in relation to the Financial Stability Board's Task Force on Climate-related Financial Disclosures and we will continue to monitor this initiative closely. Finally, we see positive developments in terms of the referencing of <IR> in evolving corporate governance and investor stewardship and codes.

Explicit alignment between <IR>, corporate governance and stewardship. Throughout the year, we continued to promote <IR> as a tool for good governance and effective investor stewardship through proactive disclosure of corporate strategy, such as called for in the *Japanese Corporate Governance Code*, released in June 2015. In August, the International Corporate Governance Network provided express endorsement of the Framework in its revised *Guidance on Integrated Business Reporting*.

"We see positive developments in terms of the referencing of <IR> in evolving corporate governance and investor stewardship and codes."

Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

Performance and 2016 outlook against the Breakthrough Phase strategy
continued

Develop a long-term, viable organization

6

Material matters

Human resources capability

Adequacy of IIRC funding

Effectiveness of IIRC relationships

2015 Priorities

- Transition to a new governance model
- Secure long-term funding
- Secure endorsement from supranational bodies

How we evaluate performance

- Future ability to fund planned/budgeted activities and initiatives
- Capacity to plan, implement and account for activities taken to achieve strategic objectives, within budget and in conformance with sound governance practices

Future ability to fund planned/budgeted activities and initiatives. Our financial performance in terms of income & expenditure during the year was 74% better than budgeted, with the deficit being close to break-even at £99k (2014: £71k). Income was 1.6% below budget at £1,412k, but this shortfall was more than offset by reducing expenditure (by 17.5% in relation to the budget) to £1,513k. Other elements of our contributions include pro bono facilities and secondments to the staff team. In-kind support of the provision of office premises valued at £111k was the same as budgeted and in 2014. Secondments were unfortunately under budget, averaging 9.5 full-time equivalents, compared with the 10.9 budgeted.

Cash reserves at year end were £894k (2014: £1,096k), the reduction being due mainly to timing differences of annual receipts.

The staff team comprised 28 full-time equivalents, with directly employed and seconded staff spanning 12 countries. Although we were able to run our operations smoothly and perform core activities, our level of funding impeded our broader ambitions.

Capacity to plan, implement and account for activities taken to achieve strategic objectives, within budget and in conformance with sound governance practices. In recognition of the need to enhance the IIRC's governance structure to support the organization's long-term viability, and having consulted extensively with our Council, we completed the adoption of a new Constitution and appointment of a new Board in 2015. We continued to evolve our internal policies and procedures, particularly in relation to reporting to our Board on performance relative to strategy, work plans and budget. These improvements also enhanced the effectiveness of our communication with Council members. We will undertake a stakeholder survey in mid-2016 to better understand broader market perceptions of <IR> and the IIRC.

2015 Performance summary

Our current level of funding covers operating costs, but does not support our ability to accelerate the execution of our strategy. We also lack capacity in the organization in certain areas of expertise. Our effective partnerships serve as an important counterbalance, extending our reach through education, awareness and advocacy. We have implemented a new constitution, which will help to underpin the execution of strategy under our new Board.

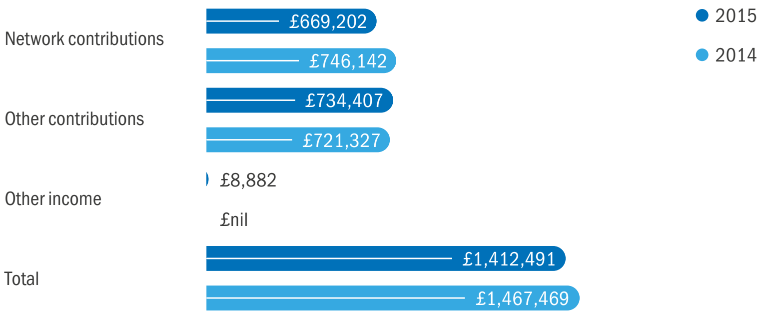
2016 Priorities

- Identify and pursue suitable funding sources, including funds from sponsorship, network activities and the <IR> Training Programme
- Conduct a formal survey to identify and understand stakeholders' needs and interests and their perceptions of the IIRC
- Publish the IIRC's first integrated report
- Manage leadership succession and the appointment of a new CEO
- Create a charitable foundation able to benefit from a broader range of funding sources

2016 Outlook

The Integrated Reporting Foundation has been established as a UK charity. We have benefited from increased funding from several accounting bodies; however, we continue to lack capacity to fully resource certain projects and provide sufficient support to local partners. On a positive note, we have secured additional expertise for our investor outreach and have strengthened our engagement with partners that have international networks.

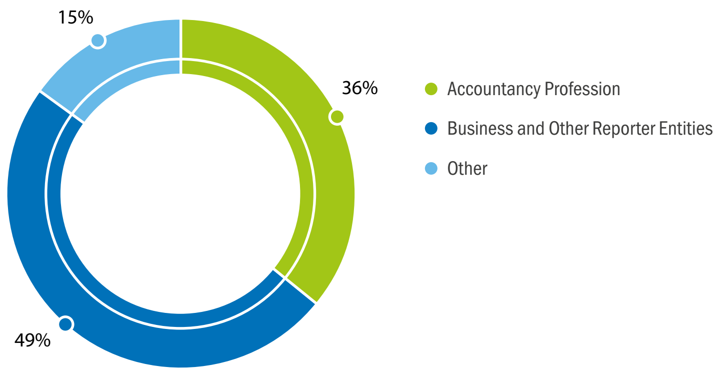
Financial income



Outlook key

- Major issues, requires attention
- Issues identified, action being taken
- No significant issues, on track

Financial contributions by source



Progressing high standards of **corporate behaviour**

See 2016 outlook for each of our Breakthrough Phase strategic themes on pages 18-29.

Near term

We entered 2016 with a sense of optimism. The policy arena is more receptive than ever to the ideology underpinning <IR> and the benefits it offers. For example, initiatives aimed at reducing reporting volume, complexity and clutter, such as the IASB Disclosure Initiative, are well supported by local efforts in Australia, the United Kingdom and other regions. The Financial Stability Board's Task Force on Climate-related Financial Disclosures is committed to an aggressive work plan to which we will contribute.

We will continue our policy efforts at the B20 level during the Chinese Presidency of the G20 to ensure that <IR> remains on the agenda. We also plan to engage with the Secretariat of the 2017 German G20 Presidency.

Longer term

We see a gradual but important shift by capital market regulators and others towards encouraging and enforcing high standards of corporate behaviour. Proof of this is seen in a growing emphasis on governance codes, such as the UK's Corporate Governance Code and investor stewardship codes, such as that found in Japan. Japan's Stewardship Code, in particular, recognizes corporate value and sustainable growth as a shared responsibility between a company's management and its institutional investors. These and other regional developments reinforce the purpose of disclosures, namely to improve decision making among all participants of the corporate reporting and investment chain. The act of reporting therefore shifts from one of mere compliance to one that strengthens interactions across organizational silos, considers significant trade-offs between the capitals on which the business has a reliance or effect and reduces information asymmetry between the users and seekers of financial capital.

Despite incremental progress in risk and environmental accounting, we believe that corporate reporting can do more to embrace the evaluation and management of other factors that materially drive or erode value. Financial performance is, after all, part of a broader canvas of resources that must be managed holistically rather than in isolation. Historic agreements in 2015, such as the Paris Agreement on greenhouse gas emissions at COP 21 and the adoption of the 2030 Agenda for Sustainable Development, are invaluable contributions to this important shift in mindset. We see strong alignment between <IR> and the aim of the United Nations' Sustainable Development Goals. Both encourage entities to consider impacts and dependencies on a broader set of resources.

Our four-phased strategic plan

Feasibility	Creation	Breakthrough	Global adoption
Jul 2010 – Dec 2011	Jan 2012 – Sep 2014	Oct 2014 – Dec 2017	2018 and beyond

Learn more about our four-phased strategic plan on page 16

By prompting report preparers to consider how the six capitals influence the fundamentals of their business – including the business model, strategy, performance and prospects – <IR> is a natural accompaniment to communicating a commitment to the Sustainable Development Goals. The planned efforts of the Financial Stability Board's Task Force on Climate-related Financial Disclosures will further illustrate our emphasis on a fuller set of value influencers by making the issue of climate change relevant to a capital market audience.

These collective developments shift the traditional sustainability conversation amongst reporters from, 'How do we impact our context?' to also include 'How does our context impact us?' This progression reinforces the IIRC's emphasis on business model, strategy and risk management as critical elements of resiliency, both for businesses and for broader capital markets.

We have made inroads in demonstrating that an integrated and inclusive corporate reporting system has practical benefits for businesses and investors. Our ongoing strategy encourages systemic reforms beyond corporate reporting alone, reforms that benefit all participants of global capital markets. This is why we continue to advocate our 'three shifts philosophy', underpinned by practical and actionable recommendations that will create a more secure and stable global economy. We view the preceding developments and their consistency with the fundamental concepts of <IR> as positive signals for our future initiatives. Despite incremental progress in risk and environmental accounting, we believe that corporate reporting can do more to embrace the evaluation and management of other factors that materially drive or erode value.

> "Despite incremental progress in risk and environmental accounting, we believe that corporate reporting can do more to embrace the evaluation and management of other factors that materially drive or erode value."

Collective influence and expertise

We are committed to an inclusive, market-led approach to build on the extensive interest in <IR>

71

organizations represented on our Council

How our governance structure supports our ability to create value

Core themes of current strategy

1. Increase the pace and scale of <IR> adoption
2. Maintain the International <IR> Framework, underpinned by leading practice and guidance
3. Build a bridge from corporate reporting to capital allocation
4. Progress through dialogue: Develop the Corporate Reporting Dialogue
5. Engage with global policy makers and regulators
6. Develop a long-term, viable organization

Business model elements

Inputs

- Funding
- Intellectual capital
- People
- Relationships

Activities

Guide Explain the purpose, application and expectations of <IR>

Connect Link <IR> to other concepts, priorities and developments

Convene Gather participants of the reporting and investing landscape to learn, exchange and collaborate

Value creation

Advocacy by governance body members extends our reach into priority markets

Council is our initial barometer for public sentiment and market demand for guidance

Investors on governance bodies inform our engagement with providers of financial capital

Council members fortify our relationships with regulators and policy makers

Robust governance structures and processes build our credibility, institutional integrity and lines of accountability. These attributes enhance market acceptance of our outputs and allow entrance to global policy discussions. The quality and diversity of our Board also enrich our strategic decisions.

Council members provide voluntary contributions in the form of funding, secondments and project management capacity

Support and advocacy from governance body members expand our capacity

Relationships with Council members and their networks extend our reach

Experience and diversity of Council members ensure we understand and appropriately connect to regional and global developments

Senior representation on Council enhances our market credibility and convening power. Council meetings are a prime example of convening opportunities.

We are committed to an inclusive, market-led approach to build on the extensive interest in <IR>. This approach draws on the collective influence and expertise of many stakeholders, including the users, preparers and beneficiaries of corporate reporting.

Our governance structure, processes and internal culture were founded on this market-led strategy, as well as our reliance on effective partnerships to fulfil our mission. We revised our governance structure in 2015 to further our aim of ensuring a long-term, viable organization. The changes, which reflect extensive consultation with our coalition, strike an important balance between the legal authority and responsibilities of our Board and the significant weight and influence of our Council.

Learn about the individuals that make up the IIRC on our website

Key features of the new structure are as summarized on page 35 and codified in our revised Constitution. We present select aspects of our governance structure in this section and indicate vital links to our ability to create value.

Council

At year end, our Council included senior representatives of 71 member organizations. Their breadth of views, depth of experience and commitment to <IR> continue to be instrumental to our strategic implementation. Council meets twice annually to provide input to our plans and priorities. These meetings, which rotate across jurisdictions, provide an opportunity for wider engagement with local stock exchanges, regulatory bodies and businesses on the path to <IR>. Council meetings also reinforce the value of <IR> and highlight areas for further development, prioritization and risk management.

Board of Directors

Our new Board was appointed in October 2015. It includes 11 non-executives, all eminent leaders whose individual backgrounds and combined experience reflect our broad constituency base. The skills and diversity of Board members, as shown below, lend healthy debate, guidance and discipline to such activities as strategic development and risk management.

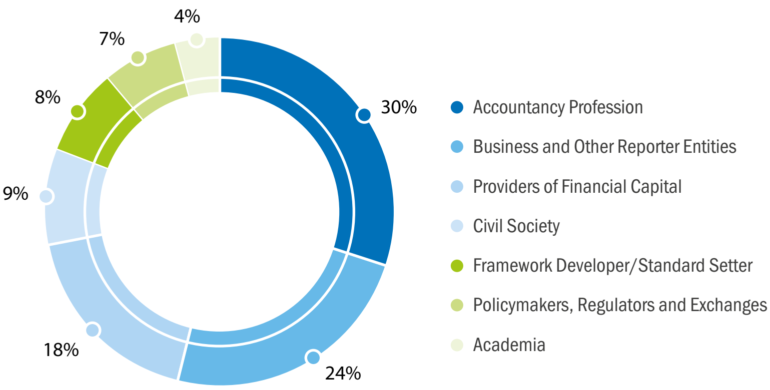
IIRC team

Two sets of values guide the way we work. Our brand values support the delivery of our mission and vision and show how we want to be seen by our stakeholders.

Our internal culture is defined by four organizational values: respect, attitude, professionalism and truth. These values define how we do what we do and ensure we work cohesively and collaboratively.

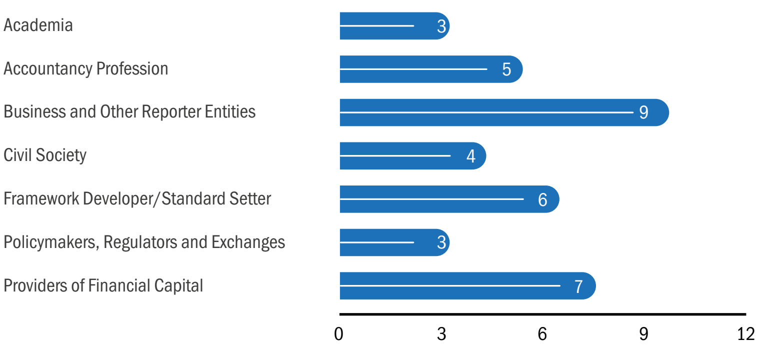
View our brand values on the inside front cover of this document

Composition of IIRC Council by communities their organizations represent



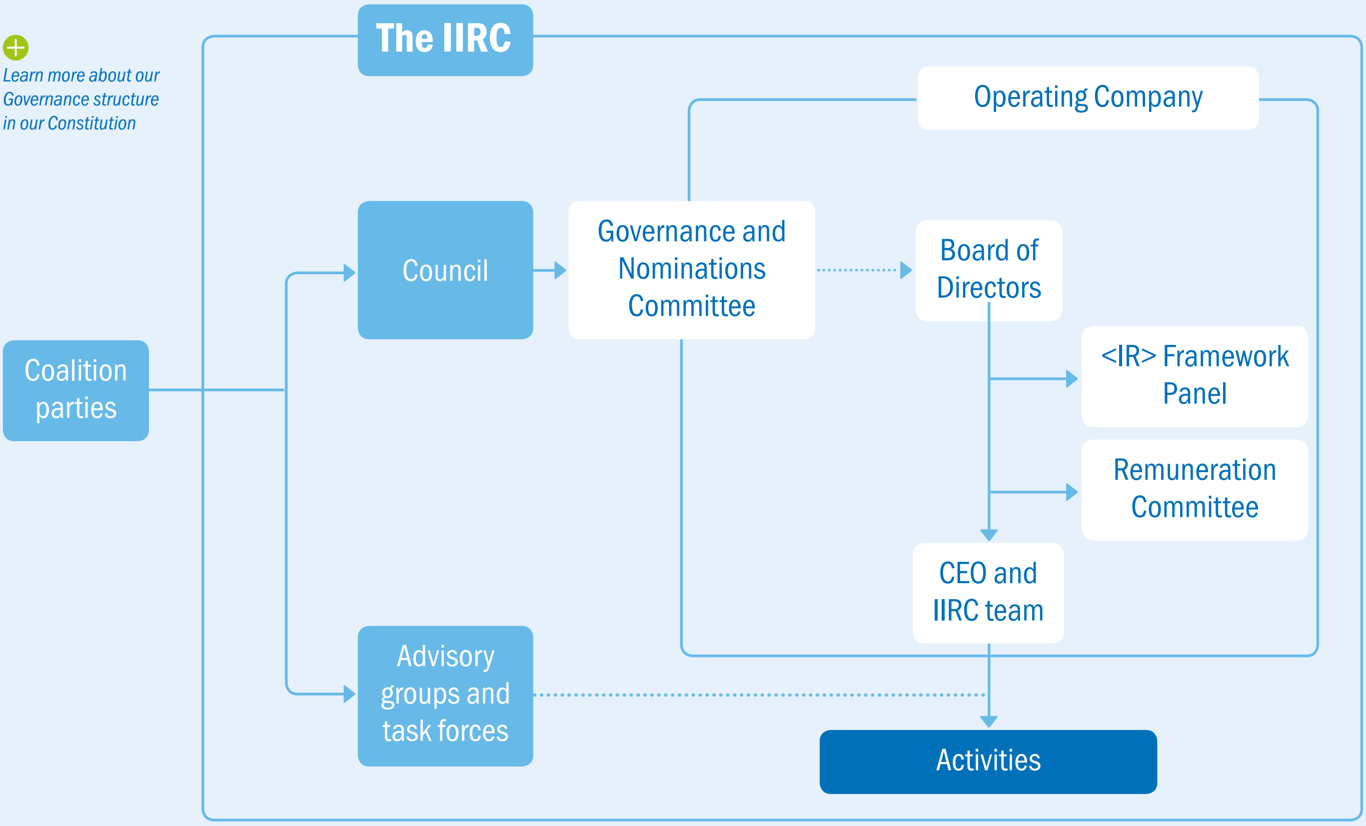
Experience of IIRC Board members

(Number of Directors as at 31 December 2015)



Learn more about our Governance structure in our Constitution

Structure of the IIRC



Learn more about our Council members on our website

Find a full list of our Directors on page 39 of the Appendix

Learn more about our Board members on our website

Council

- Includes Board or senior executive level designates from coalition parties
- Meets twice annually to relay broad market views
- Provides input to the IIRC on strategic matters
- Chair attends Board meetings as an observer

Advisory groups and task forces

- Offer support, advice and expertise on IIRC initiatives and activities
- Members are drawn non-exclusively from Coalition parties on Council
- Provide input to the IIRC on strategic matters
- Activities are defined by terms of reference

Governance and Nominations Committee

- Members appointed by Council
- Meets three times annually to advise the Board, Council Chair and CEO on governance arrangements and practices
- Appoints and removes Board members
- Serves as the Council's proxy, its members serving as members of the Operating Company
- Provides input on risk management and finance matters
- Staggered rotation allows (re-) appointment of one-third of members each year, subject to term limits

Operating Company

- Legal, not-for-profit entity established in 2011
- Coordinates our activities and initiatives

Board of Directors

- Has final authority and responsibility for the affairs and governance of the Operating Company
- Directors participate on an individual, honorary, non-remunerated and non-executive basis
- Includes the CEO as an ex officio director
- Meets four or five times annually and engages with management on strategic matters
- Staggered rotation allows (re-) appointment of one-third of members each year, subject to term limits

<IR> Framework Panel

- Members appointed by the Board
- Recommends to the Board revisions or updates to the International <IR> Framework
- Provides input on other guidance as requested
- Staggered rotation allows (re-) appointment of one-third of members each year, subject to term limits

Remuneration Committee

- Reviews executive performance and remuneration

CEO and IIRC team

- CEO represents the IIRC team in all Board dealings
- Support and coordinate IIRC's activities

Commitment to continuous improvement

We believe that <IR> is a process that should evolve over time. As we neared completion of our Integrated Report 2015, we took stock of its content and presentation using the accompanying table. This discipline and attention to detail proved helpful in assessing our alignment with Paragraph 1.17 of the International <IR> Framework. More importantly, we viewed this exercise as an opportunity to identify and communicate areas for improvement in a transparent way. After all, this is our first integrated report and we know there is room for us to improve.

Finally, we hoped that in sharing this table, we might enhance readers' navigation of our content and assist fellow preparers of integrated reports.

Based on the following analysis, we are committed to strengthening our internal and external reporting, both in terms of our report content and the process underpinning our integrated report. In particular, we see opportunities for improvement in the following areas:

- Communicate more effectively the connections between our strategy and resource allocation (Paragraph 3.3)
- Improve our collation and analysis of stakeholder feedback to clarify legitimate needs and interests and communicate our corresponding responses (Paragraph 3.10)
- Refine our internal performance measurement to support information reliability and traceability
- Simplify and improve alignment between our internal and external reporting

We invite feedback on our integrated report at report@theiirc.org

Paragraph	International <IR> Framework Requirement	Commentary
1.12	Designated and identifiable communication	Our communication is clearly labelled Integrated Report 2015 and can be downloaded from our website.
1.17	Application of all Framework requirements unless precluded by unavailability of reliable information, specific legal prohibitions or risk of significant competitive harm	Information availability, legal prohibition or competitive harm do not preclude our application of the Framework's bold type requirements. This table evaluates the extent to which Framework requirements are addressed.
1.18	Nature of, and reasons for, any omission of material information, steps taken to obtain previously unavailable information and time frame for doing so	In our judgement, the 2015 Integrated Report addresses all matters that have, or could have, a material effect on our ability to create value.
1.20	Acknowledgement from those charged with governance addressing their: (i) responsibility for the integrity of the integrated report, (ii) application of a collective mind to the preparation and presentation of the integrated report and (iii) opinion on the integrated report's alignment with the International <IR> Framework	We fulfil this requirement through the Responsibility for the Integrated Report statement on the inside cover of this report.
3.3	Strategy and how it relates to the organization's (i) ability to create value in the short, medium and long term and (ii) use of and effects on the capitals	We set out our multi-phase strategy on page 16 and place our current strategy in the context of past and future strategies. Near- and longer-term perspectives are addressed on pages 15 and 17, respectively. We connect the themes of our current strategy to the factors that influence our ability to create value, including our business activities (page 7), risks and opportunities (page 13) and performance and outlook (pages 18-29). In future reports, we plan to communicate the connections between our strategy and resource allocation more effectively.
3.6	Holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organization's ability to create value over time	We illustrate how our business model components influence value creation for the IIRC and for others on pages 6-7. We connect the core themes of our current strategy to the factors that influence our ability to create value, including our business activities (page 7), risks and opportunities (page 13) and performance and outlook (pages 18-29).
3.10	Nature and quality of relationships with key stakeholders, including how and to what extent the organization understands, takes into account and responds to their legitimate needs and interests	Page 35 identifies key stakeholder groups and primary mechanisms for inviting input and external perspectives. We acknowledge the need to improve our collation and analysis of stakeholder feedback to clarify legitimate needs and interests and communicate our corresponding responses.
3.17	Information about matters that substantively affect the organization's ability to create value over the short, medium and long term	We discuss our material matters on pages 12-13, indicating the applicable timeframes, responses and connections to our Breakthrough Phase strategy. These matters are integrated into our discussions of operating context, strategy, performance and outlook.
3.36	Conciseness	We enlisted an external communications expert to ensure clear and concise wording. We include navigational icons to link information and avoid duplication. Where helpful, we direct readers to online content for additional information.

Paragraph	International <IR> Framework Requirement	Commentary
3.39	Presentation of all material matters, both positive and negative, in a balanced way and without material error	We present our achievements and disappointments in a balanced manner. We enlisted an external communications expert to ensure neutrality in our tone and terminology. In our judgement, the information is free of material error.
3.54	Presentation of information on a consistent basis over time and in a way that enables comparison with other organizations (to the extent it is material to the organization's own ability to create value over time)	Our financial statements are consistent with prior presentation and accepted practice. As this is our first integrated report, certain information is presented for the first time. Our presentation may evolve over time as part of our commitment to continuous improvement. In such cases, we will explain significant changes and reconcile reported information with prior disclosures.
4.4	What the organization does and the circumstances under which it operates	We explain what we do in the section How we create value (pages 6-7). We explain our operating environment in our discussions of Operating context (page 8) and General outlook (pages 30-31).
4.8	How the organization's governance structure supports its ability to create value in the short, medium and long term	We discuss elements of our governance structure and their connections to our current strategy and business model – both of which contribute to our ability to create value over time – in the section Governance on pages 32-35.
4.10	Business model	We explain the components of our business model in the section How we create value (pages 6-7). In the accompanying diagram, we demonstrate the direct link between business model outcomes and the value created for the organization and for others.
4.23	Specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term and how the organization is dealing with them	We provide this information in the section Our material matters (page 12). We also link our risks and opportunities to strategy and indicate the time frame over which they have most effect.
4.27	Where the organization wants to go and how it intends to get there	We present our near- and longer-term strategies in the section Our strategy on pages 14-17. We also indicate strategic priorities in the section Performance and 2016 outlook against the Breakthrough Phase strategy on pages 18-29.
4.30	Extent to which strategic objectives have been achieved for the period and outcomes in terms of effects on the capitals	We present our 2015 performance in the context of the six themes of our Breakthrough Phase strategy in the section Performance and 2016 outlook against the Breakthrough Phase strategy (pages 18-29).
4.34	Challenges and uncertainties likely to be encountered in pursuit of the organization's strategy and potential implications for the business model and future performance	We present challenges in the context of strategic themes in the section Our material matters (page 12). We also note anticipated challenges in the section General outlook on pages 30-31.
4.40	Materiality determination process	We explain our approach to determining material matters in the section About this report on page 1.

Commitment to the Sustainable Development Goals

Through our vision – to align capital allocation and corporate behaviour with the wider goals of financial stability and sustainability through the cycle of integrated reporting and thinking – we are committed to supporting the United Nations and its partners in building a better world in which no one is left behind. Our emphasis on the efficient and productive use of all forms of capital aligns with Sustainable Development Goal 12, which seeks to ensure sustainable consumption and production patterns. <IR> is also an effective mechanism for monitoring the allocation of capitals, managing performance and strengthening accountability in the public and private sectors.

As a broad coalition of businesses, investors, standard setters, regulators and other key stakeholders, we support Goal 17, revitalizing the global partnership for sustainable development. Through our multi-stakeholder partnerships and extended networks, we are well positioned to influence regional and global policy and the decisions underpinning the flow of financial capital.

Appendix

Contents

Our Integrated Report 2015 is in two parts:

The Integrated Report is a concise communication about how our strategy, governance, performance and prospects, in the context of our external environment, lead to the creation of value in the short, medium and long term.

This Appendix contains statutory information, including our financial statements and notes.

You can find more information about the IIRC online at integratedreporting.org

Statutory information

The Directors' Report of the International Integrated Reporting Council (a company limited by guarantee), consisting of the integrated report (pages 1 - 37) and statutory information in the Appendix (pages 38-39), has been approved by the Board and signed on its behalf by Paul Druckman – Director – on page 40.

In preparing this report, the Directors have taken advantage of the small companies exemptions provided by section 415A of the Companies Act 2006.

Company Registration Number	07746254
Board of Directors	**Peter Bakker** **Helen Brand** **Alexsandro Broedel Lopes** **Jane Diplock** **Paul Druckman** **Timothy Flynn** **Reuel Khoza** **Izumi Kobayashi** **Barry Melancon** **David Nussbaum** **Upendra Sinha** **Christian Strenger**
Registered Office	The Helicon Third Floor 1 South Place London EC2M 2RB
Auditor	Crowe Clark Whitehill LLP St. Bride's House 10 Salisbury Square London EC4Y 8EH
Bankers	HSBC Bank Plc. 69 Pall Mall London SW1Y 5EY

Directors

The Directors who served during the year were:

Peter Bakker

Ian Ball
(resigned on 30 September 2015)

Helen Brand
(appointed on 1 October 2015)

Alexsandro Broedel Lopes
(appointed on 1 October 2015)

Jane Diplock

Paul Druckman

Timothy Flynn
(appointed on 1 October 2015)

Jessica Fries
(resigned on 30 September 2015)

Reuel Khoza
(appointed on 1 October 2015)

Mervyn King
(Chairman – resigned on 30 September 2015)

Izumi Kobayashi
(appointed on 1 October 2015)

Barry Melancon
(Chairman – appointed on 1 October 2015)

David Nussbaum
(appointed on 1 October 2015)

Upendra Sinha
(appointed on 1 October 2015)

Christian Strenger

Christianna Wood
(resigned on 30 September 2015)

Statement as to disclosure of information to auditors

Each of the persons who are directors at the time when this Directors' report is approved has confirmed that:

- so far as that director is aware, there is no relevant audit information of which the company's auditor is unaware, and
- that director has taken all the steps that ought to have been taken as a director in order to be aware of any relevant audit information and to establish that the company's auditor is aware of that information.

Auditors

Crowe Clark Whitehill LLP has indicated its willingness to be reappointed.

Statement of Directors' responsibilities

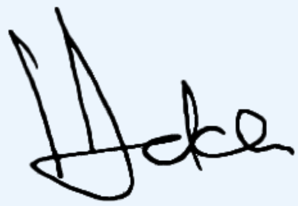
The Directors are responsible for preparing the annual report and the financial statements in accordance with European Union endorsed International Financial Reporting Standards (IFRS), interpretations from the International Financial Reporting Interpretations Committee (IFRIC) and those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

Company law requires the Directors to prepare financial statements for each financial period, which give a true and fair view of the state of affairs of the IIRC and of the profit or loss for that period. In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently
- make judgements and estimates that are reasonable, comparable, understandable and prudent
- ensure that the financial statements comply with IFRS
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the IIRC will continue in business.

The Directors are responsible for keeping proper books of accounts, which disclose with reasonable accuracy at any time the financial position of the IIRC and enable them to ensure that the financial statements comply with the Companies Act 2006. The Directors are also responsible for safeguarding the assets of the IIRC and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors' report is approved by the Board and authorized for issue on 21 September 2016 and signed on its behalf by



Paul Druckman,

Director

Independent auditor's report to the members of International Integrated Reporting Council

We have audited the financial statements of the International Integrated Reporting Council (IIRC) for the year ended 31 December 2015 which comprise the Comprehensive Income Statement, the Statement of Changes in Equity, the Statement of Financial Position, the Statement of Cash Flows and the related notes numbered 1 to 12.

The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRS), as adopted by the European Union.

This report is made solely to the Directors, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Directors those matters we are required to state to them in an Auditor's Report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditors

As explained more fully in the Statement of Directors' Responsibilities, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements, sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the entity's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the Directors, and the overall presentation of the financial statements.

In addition, we read all the financial and non-financial information in the Integrated Report plus appendix to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion, the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2015 and of its deficit for the year then ended
- have been properly prepared in accordance with IFRS as adopted by the European Union, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matters prescribed by the Companies Act 2006

In our opinion, the information given in the Directors' Report for the financial period for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.
- the Directors were not entitled to take advantage of the small companies' exemption from the requirement to prepare a Strategic report.

Steve Gale

Steve Gale FCA,

Senior Statutory Auditor

For and on behalf of

Crowe Clark Whitehill LLP

Statutory Auditor

London

22 September 2016

Comprehensive income statement

For the year ended 31 December 2015

	Notes	2015 £	2014 £
Income	3	**1,412,491**	1,467,469
Staff costs		**(1,186,484)**	(1,095,027)
Travel and subsistence		**(198,442)**	(299,176)
Communications and engagement		**(36,763)**	(69,796)
Other costs		**(91,804)**	(75,637)
OPERATING DEFICIT	4	**(101,002)**	(72,167)
Other non-operating income		**2,488**	1,195
DEFICIT BEFORE TAX		**(98,514)**	(70,972)
Tax expense	6	**(584)**	(519)
DEFICIT FOR THE YEAR		**(99,098)**	(71,491)
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**(99,098)**	(71,491)

Statement of changes in equity

For the year ended 31 December 2015

	Retained surplus £
Balance at 1 January 2014	871,531
Deficit for the year	(71,491)
Balance at 31 December 2014	800,040

	Retained surplus £
Balance at 1 January 2015	**800,040**
Deficit for the year	**(99,098)**
Balance at 31 December 2015	**700,942**

Statement of financial position

As at 31 December 2015

	Notes	2015 £	2014 £
ASSETS			
CURRENT ASSETS			
Trade and other receivables	9	**224,487**	151,550
Prepayments and accrued income		**33,401**	18,820
Cash and cash equivalents	10	**893,692**	1,096,124
		1,151,580	1,266,494
TOTAL ASSETS		**1,151,580**	1,266,494
EQUITY			
ISSUED CAPITAL AND RESERVES			
Retained surplus		**700,942**	800,040
LIABILITIES			
CURRENT LIABILITIES			
Accruals and deferred income	11	**393,178**	345,887
Trade and other payables	11	**57,460**	120,567
		450,638	466,454
TOTAL EQUITY AND LIABILITIES		**1,151,580**	1,266,494

Approved by the Board and authorized for issue on 21 September 2016 and signed on its behalf by

Paul Druckman

Director

Company registration number: 07746254

Statement of cash flows

For the year ended 31 December 2015

	2015 £	2014 £
Total operating (deficit)/surplus	**(101,002)**	(72,167)
Decrease/(increase) in trade and other receivables	**(87,518)**	210,692
(Decrease)/increase in trade and other payables	**(16,087)**	(247,765)
Cash generated from operations	**(204,607)**	(109,240)
Tax paid	**(313)**	(280)
CASH FLOWS FROM OPERATING ACTIVITIES	**(204,920)**	(109,520)
Interest received	**2,488**	1,650
Cash flows from investing activities	**2,488**	1,650
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS	**(202,432)**	(107,870)
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2014	**1,096,124**	1,203,994
CASH AND CASH EQUIVALENTS AS AT 31 DECEMBER 2015	**893,692**	1,096,124

Notes to the financial statements

1. Statement of compliance with International Financial Reporting Standards (IFRS)

Basis of preparation

The IIRC's financial statements have been prepared in accordance with IFRS as adopted by the European Union and applicable law. The financial statements have been prepared under the historical cost convention as modified for financial assets carried at fair value and on the going concern basis. The principal accounting policies adopted by the IIRC are set out in note 2. The policies have been consistently applied to the entire year presented, unless otherwise stated.

The functional and presentational currency of the IIRC is pound sterling.

2. Accounting policies

Income recognition

Income is recognized to the extent that it is probable that the economic benefits will flow to the IIRC, and the income can be reliably measured. All such income is reported net of VAT where applicable.

Network contributions

<IR> Business Network, <IR> Technology Initiative, and <IR> Public Sector Pioneer Network contributions are accounted for as income in the accounting period to which they relate.

Other contributions

Other contributions are accounted for as income in the accounting period to which they relate.

Foreign currency exchange

Transactions in currencies other than the functional currency of the IIRC are recorded at the rates of exchange prevailing on the dates of the transactions. At each statement of financial position date, monetary assets and liabilities that are denominated in foreign currencies are retranslated at the rates prevailing on the statement of financial position date. Non-monetary assets and liabilities carried at fair value that are denominated in foreign currencies are translated at the rates prevailing at the date when the fair value was determined.

Gains and losses arising on retranslation are included in net surplus or loss for the period, except for exchange differences arising on non-monetary assets and liabilities where the changes in fair value are recognized directly in equity.

Tax

Contributions from the Business Network participants, Council members and other organizations are not subject to corporation tax. The IIRC is required to pay corporation tax on any banking and investment income received in the year.

Trade and other receivables

Trade and other receivables are recognized by the IIRC based on the original invoice amount less an allowance for any uncollectible or impaired amounts. Other receivables are recognized at fair value.

Cash and cash equivalents

Cash and cash equivalents comprise cash at bank, cash in hand and short-term deposits. Short-term is defined as being three months or less.

Trade and other payables

Trade and other payables are initially measured at fair value, and subsequently measured at amortized cost, using the effective interest rate method.

Standards in issue not yet adopted

The financial statements have been prepared on the basis of accounting standards, interpretations and amendments effective from 1 January 2015. The IIRC has concluded that there are no relevant standards or interpretations in issue not yet adopted which will have a material impact on its affairs.

Estimates and judgements

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when they are identified as being bad.

3. Income

	2015 £	2014 £
Network contributions	**669,202**	746,142
Other contributions	**734,407**	721,327
Other income	**8,882**	–
	1,412,491	1,467,469

4. Operating surplus

Operating surplus/deficit is stated after charging the following:

	2015 £	2014 £
Auditor's remuneration - audit services	**7,500**	6,000
Net foreign currency exchange gains	**(6,609)**	(2,805)

5. Employee expenses

	2015 £	2014 £
Wages and salaries	**750,432**	754,520
Post-employment expense for defined contribution plans	**–**	6,188
Social security costs	**91,587**	90,813
	842,019	851,521

The IIRC has an average monthly total of 28 staff members (2014: 25). Nine of these are employees (2014: ten) and 14 are seconded (2014: 15) by supporter organizations, of which 12 (2014: 13) are on a pro bono basis. In addition, four consultants (2014: three) and one volunteer (2014: nil) were engaged by the IIRC.

The average monthly number of employees during the year was made up as follows:

	2015 No.	2014 No.
Executive	**1**	1
Other	**8**	9
	9	10

6. Tax

Components of tax expense

	2015 £	2014 £
Current corporation tax charge	**584**	519

7. Financial risk management objectives and policies

Senior management's objectives when managing the financial capital are:

- to safeguard the IIRC's ability to continue as a going concern, to enable it to continue to meet its objectives, and
- to maintain sufficient financial resources to mitigate against risks and unforeseen events.

The operations of the IIRC expose the organization to various financial risks, which are continuously monitored with a view to protecting the IIRC against the potential adverse effects of these financial risks.

Credit risk

Credit risk arises principally from cash and cash equivalents and trade receivables. The IIRC minimizes its exposure by dealing with independently rated banks with a minimum rating of 'A'. The IIRC's trade receivables relate to <IR> Business Network and <IR> Technology Initiative participants, Council members and other organizations. The IIRC has no significant concentration of credit risk, with exposure spread over a large number of organizations and countries throughout the world. Management reviews <IR> Business Network participants' balances regularly to ensure that the risk of exposure to bad debts is minimized.

Liquidity risk

The IIRC invoiced most of the Business Network participants in October/November 2015 for the year October 2015 to September 2016 in respect of <IR> Business Network contributions. Council members and other organizations are invoiced at the start of the calendar year in respect of Other Contributions. The IIRC receives the majority of its income at the start of the calendar year and manages its liquidity risk by ensuring that it has sufficient working capital to meet its short-term operating requirements.

Management of liquidity risk is achieved by monitoring budgets, forecasts and actual cash flows. The number of network participants, Council members and other organizations that provide voluntary contributions is continuously monitored to ensure adequate funding.

Interest rate risk

The IIRC maintains surplus funds in a treasury bank account. The average interest rate on this bank account is negligible. Both the current account and treasury bank account are classified as short term. Short term is defined as being three months or less. For a change in interest rates of 1%, the gross interest earned would be negligible.

Currency risk

The IIRC monitors currency risk closely and considers that its current policies meet its objectives of managing exposure to currency risk.

8. Financial assets and liabilities

	Carrying amount		Fair value	
	2015 **£**	2014 £	**2015** **£**	2014 £
Financial assets				
Cash and cash equivalents	**893,692**	1,096,124	**893,692**	1,096,124
Trade and other receivables	**224,487**	151,550	**224,487**	151,550
Financial liabilities				
Accruals	**78,014**	81,388	**78,014**	81,388
Trade and other payables	**24,482**	89,761	**24,482**	89,761

9. Trade and other receivables

	2015 **£**	2014 £
Receivable from <IR> Business Network participants and others	**224,487**	151,550

The ageing of the trade receivables is as follows:

	2015 **£**	2014 £
0-30 days	**57,120**	69,550
30-60 days	**115,367**	10,000
60-90 days	**52,000**	30,395
Greater than 90 days	**–**	41,605

Amounts receivable from <IR> Business Network participants, Council members and other organizations are non-interest bearing and are generally on 30 day terms.

Trade receivables of £169,064 (2014: £52,000) were past due but not impaired at the year end. An allowance has been made for estimated irrecoverable amounts from <IR> Business Network participants, Council members and other organizations of £1,696 (2014: £nil). The Directors consider the carrying value of trade and other receivables approximates to their fair value.

10. Cash and cash equivalents

	2015 **£**	2014 £
Cash at bank	**893,692**	1,096,124

The above balance represents cash and cash equivalents for the purposes of the statement of cash flows as at 31 December 2015.

11. Trade and other payables

	2015 **£**	2014 £
Payable to trade suppliers	**24,482**	89,761
Accruals	**78,014**	81,388
Deferred income	**315,165**	264,499
Payroll and indirect taxes	**32,977**	30,806
	450,636	466,454

The ageing of the trade payables is as follows:

	2015 **£**	2014 £
0-30 days	**24,441**	71,190
30-60 days	**–**	15,915
60-90 days	**–**	–
Greater than 90 days	**41**	2,656

12. Related parties

Related party transactions

The IIRC was provided with insurance services by Clear Insurance Management Ltd for £4,090 (2014: £3,998) for the year ended 31 December 2015. There is no balance outstanding at the year end. Clear Insurance Management Ltd is a related party on the grounds that Paul Druckman is Chairman of Clear Group and a significant shareholder.

The IIRC made a charitable donation to the Integrated Reporting Foundation for £5,000 (2014: £0) for the year ended 31 December 2015. There is no balance outstanding at the year end. The Integrated Reporting Foundation is a related party on the grounds that the IIRC is the sole member. Consolidated financial statements have not been prepared on the grounds of materiality.

Key management compensation

One (2014: two) Directors received remuneration which amounted to £299,356 (2014: £340,615) for the year ending 31 December 2015, of which £nil (2014: £6,188) relates to pension contribution in the year ending December 2015.

The Chairman received £nil (2014: £nil) for the year, as he is not remunerated. He is compensated for out-of-pocket expenses incurred while undertaking work on behalf of the IIRC.

The other Directors have not been remunerated but may be reimbursed for out-of-pocket expenses incurred while undertaking work on behalf of the IIRC.

<IR> enhances the way organizations think, plan and report the story of their business

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