

International Integrated Reporting Committee
17th January, 2011, Beijing
Meeting Minutes – Final

Attendees

The list of attendees and apologies is attached as an Appendix to the minutes.

Agenda item 1 – Welcome

Sir Michael Peat welcomed members to the meeting and thanked Dr Yugui Chen and Dr Wang Jun for agreeing to be official hosts.

Agenda item 2 – Welcome address from Dr Wang Jun, Vice Minister of the Ministry of Finance, P. R. China

A welcome address was provided by Dr Wang Jun stating that: 1) Integrated Reporting is a very significant step forward; 2) the Chinese Ministry of Finance and the accounting profession will support the effort and will actively participate; and 3) the Chinese Ministry of Finance places great importance on the social responsibility of companies and that there has been some work done on this topic in China. He underlined the importance that the Chinese government places on sustainable growth, the challenges to that growth posed by environmental constraints, and the commitment to support the work of the IIRC and Integrated Reporting.

Dr Wang Jun and his party left the meeting.

Agenda item 3 - IIRC – context, mission and key milestones

The following points were discussed in the context of paper 3, to be considered by the Working Group (WG):

- *Are investors interested in non-financial information?* The investor paper submitted to the meeting and involvement of investor organisations in the IIRC and more broadly was seen as evidence of interest, but in the marketplace there is a general perception of a lack of interest. This was seen to be particularly the case in the US, although it was noted that Bloomberg have now incorporated environmental, social and governance information into their terminals and evidence suggests that this information is being used by investors. It was underlined that lack of information prepared and presented in a way that enabled investors to integrate broader factors into analysis was a significant barrier. Integrated Reporting and the work of the IIRC was seen as an important way of overcoming this barrier and a key objective of the IIRC.
- *Evidence-based rationale:* The Discussion Paper and proposals to the G20 should be built around an evidence based narrative. This narrative should also set out relevance of Integrated Reporting for investors, companies and other stakeholders.
- *Focus on companies:* It was underlined that, although from a practicality perspective the initial focus of the Integrated Reporting framework is companies and investors, the approach is equally relevant to public sector and other types of organisation. This should be considered at a later stage.

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Agenda item 4 - Overview of developments in South Africa and key lessons for the IIRC

Professor Mervyn King (MK) provided an overview of the South African Discussion Paper, noting that it would be released on 25th January 2011. It was noted that the SA proposals had been informed by work of the IIRC WG on which a member of the SA committee sits, and that the IIRC Discussion Paper would build on the SA Discussion Paper.

MK noted that the preparation of an Integrated Report was a listing requirement for all companies on the Johannesburg Stock Exchange, a requirement introduced through the King III Governance Code, and that the Integrated Report would be the organisation's primary report.

The challenges of adoption by other stock exchanges was discussed. It was noted that stock exchanges are operating in a very competitive environment and that investors are very focused on short term returns, a situation which has increased over the last 10-15 years with increasing market liquidity. In addressing this challenge, the importance of a global approach to Integrated Reporting was underlined to maintain a level playing field. The role of IOSCO in this was noted.

It was felt that the provision of better information on factors influencing long term performance would help to reduce uncertainty therefore lowering discount factors used and cost of capital to companies, providing an incentive for greater disclosure and reducing the focus on the short term.

Action: WG to consider the work of the SA committee in the development of the international framework.

Agenda item 5 - Integrated Reporting framework development update

Paul Druckman provided an update on the work of the Content Task Force. He noted to key differences to the SA work:

- 1) Timelines for development of the framework from Discussion Paper to the development of an Integrated Reporting standard as well as the additional work needed to build out detailed guidance on areas such as natural capital.
- 2) Underlying principles of Integrated Reporting which included the following areas:
 - a. Strategic perspective
 - b. Driver for change
 - c. Connectivity of information
 - d. Forward looking and responsive
 - e. Stakeholder inclusiveness in process
 - f. Relevance and materiality

The following points were discussed in relation to the framework:

- *Externalities and their incorporation into Integrated Reporting:* It was noted that the degradation of natural capital was an urgent issue, as highlighted by Dr Wang in his speech, and needed to be built into the Integrated Reporting development

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journey from an early stage. Some felt that attaching monetary values to externalities for incorporation into Integrated Reporting was important. Others felt that provision of better non-financial information, for example in relation to risks etc, was an important first step and that there was a need to be pragmatic about what could be accomplished and by when.

- *Mandatory v. non-mandatory:* It was noted Business Europe were generally supportive of Integrated Reporting, but were not sure they wanted mandatory requirements. It was felt that no decision by the IIRC was needed at present, the first step was to test proposals. The current EU consultation which includes a question on Integrated Reporting and the question of mandatory reporting of non-financial information more generally would provide important insight to the IIRC on the views of different groups.
- *Investor focus in first stage of development:* The majority of the IIRC agreed to the WG's focus on investors as the main audience of an Integrated Report in the first phase of work. Two dissenting views were noted, in particular the perspective was provided that consumers were the biggest beneficiary and driver for company action, not investors.
- *Pilot programme:* Jessica Fries provided an overview of the pilot programme. It was confirmed that selection criteria would be used to assess companies for inclusion in the programme. The IIRC were asked to make suggestions for companies that might be interested in participating.

Actions:

- 1) WG to finalise criteria for pilot programme selection, to include minimum sectoral and regional coverage.
- 2) IIRC members to suggest companies who might become involved and help promote the programme once launched.

Agenda item 6 - What is the case for Integrated Reporting?

An update was provided by Paul Clements Hunt (PCH) and Jane Diplock (JD) setting out work being conducted on the capital markets and regulatory case for Integrated Reporting. PCH summarised the 'Lenses and Clocks' UNEP-FI research report, to be launched in October 2011, with a section looking at how Integrated Reporting can help reduce market risk. JD summarised work looking at the links between financial stability, environmental sustainability and Integrated Reporting.

A number of suggestions were made for areas to be covered within the case for Integrated Reporting:

- Summarise key environmental trends and other drivers that provide the context for Integrated Reporting
- Include benefits to companies and regulators – including how integrated reporting will reduce volume and complexity rather than add to it
- Set out all that is already happening and show how integrated reporting builds on existing work

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- Demonstrate the relationship between entities and the environment within which they operate (including people and the natural environment), helping to broaden out an entity's understanding of risk and time horizon as well as the market's
- Include a simple vision statement to help others to understand what the IIRC is trying to achieve

It was suggested that a film could be developed to help get the message across.

It was noted that, as Integrated Reporting is a new area, there will not be evidence that meets academic standards to support the case. The case therefore needs to be built on a logical narrative supported by secondary evidence.

Actions:

- 1) JD to prepare a narrative setting out links between financial stability, sustainability and Integrated Reporting that might be included in discussions with the G20 for the next IIRC meeting in New York.
- 2) PCH and Professor Bob Eccles to share research with the WG and input to the preparation of the case.
- 3) WG to take into account the points raised in their preparation of the case for Integrated Reporting.

Agenda item 7 - Engagement and communication strategy and plan

The IIRC approved the ambassador terms of reference and agreed the priorities set out in agenda paper 7.1.

The key messages to take to the G20 set out in paper 7.2 were agreed. It was noted that these were a first step and that other matters discussed under agenda item 9 could be taken forward at a later stage.

Various suggestions were made and actions agreed to support engagement activities.

Actions:

- 1) Atsushi Saito to support inclusion of a call for Integrated Reporting on the World Federation of Exchanges agenda in October 2011.
- 2) Professor Nelson Carvalho to engage with the Ministry of Finance in Brazil.
- 3) PCH to propose issuing a statement of investor support at the upcoming UN Principles for Responsible Investment Board meeting.
- 4) Engagement and Communications Task Force to focus on the engagement of US companies and investors ahead of the New York meeting.
- 5) All members to provide input on key individuals with whom to engage and support engagement activities.

Agenda item 8 - IIRC governance structure and membership

Ian Ball provided a summary of the paper developed by the Governance Task Force. No objections to the points set out in the paper were raised. It was noted that the framework should be developed first and then the options considered in more detail.

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The importance of funding to support any option pursued was noted and that this might influence the decision made.

Agenda item 9 - Policy approaches for the adoption of an Integrated Reporting framework

MK introduced the paper, referencing the Danish Financial Services act and the approach adopted under the King III Governance Code.

The importance of a legal framework to address company and auditor liability concerns was discussed. In relation to the G20, it was agreed that these matters should be considered by the IIRC at a later stage, once initial support had been obtained.

Next steps and any other business

It was confirmed that the next meeting would be held on 13 May 2011 in New York. It was agreed that engagement activities would be held the evening before the meeting.

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APPENDIX

Attendees – IIRC members

- Sir Michael Peat, Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall (Chairman)
- Professor Mervyn King, Chairman, King Committee on Corporate Governance and Chairman, Global Reporting Initiative (Deputy Chairman)
- Helen Brand, Chief Executive, ACCA
- Professor Nelson Carvalho, Universidade de São Paulo, Brazil and Chairman, 25th session of UNCTAD's ISAR
- Paul Clements-Hunt, Head of Unit, UNEP Finance Initiative
- Aron Cramer, President and Chief Executive Officer, BSR
- Jane Diplock, Chairman of the Executive Committee of the International Organization of Securities Commissions (IOSCO)
- Professor Robert Eccles, Professor of Management Practice, Harvard Business School
- John Elkington, Founding Partner & Executive Chairman, Volans
- Huguette Labelle, Chairperson, Transparency International
- Sir Mark Moody-Stuart, Chairman of the Foundation for the Global Compact
- Jeremy Newman, Chief Executive Officer, BDO International
- Edward Nusbaum, Chief Executive Officer, Grant Thornton International
- David Nussbaum, WWF-UK Chief Executive, WWF International
- Russell Picot, Group Chief Accounting Officer, HSBC
- Jim Quigley, Chief Executive Officer, Deloitte Touche Tohmatsu
- Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc
- Jim Singh, Chief Financial Officer, Nestlé
- Göran Tidström, President, IFAC
- Charles Tilley, Chief Executive, CIMA
- Jim Turley, Chairman and Chief Executive Officer, Ernst & Young

Observers

- Stephen Harrison, CEO, Global Accounting Alliance (representing Michael Izza)
- Mr. Nobuyuki Hiratsuka, Director for Corporate Systems, Corporate Affairs Division, Economic and Industrial Policy Bureau, Ministry of Economy, Trade and Industry (METI), Japan (accompanying Atsushi Saito)
- Alan Teixeira, Director of Technical Activities, International Accounting Standards Board (representing Sir David Tweedie, member of the IIRC Working Group)

Observers - Working Group members

- Ian Ball, Chief Executive, International Federation of Accountants
- Paul Druckman, Executive Board Chairman, The Prince's Accounting for Sustainability Project
- Jessica Fries, Director, The Prince's Accounting for Sustainability Project (Joint Secretary to IIRC and WG)
- Ernst Ligteringen, Chief Executive, Global Reporting Initiative (Joint Secretary to IIRC and WG)

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Dr Wang Jun's party

- Dr Wang Jun, Vice Minister of the Ministry of Finance, P. R. China
- Dr Chen Yugui, Secretary General, The Chinese Institute of Certified Public Accountants (official host)
- Mr Wu Jinkang, Deputy Director General of International Department of the Ministry of Finance (MOF)
- Mr Chen Junfeng, the Personal Assistant to Mr. Wang Jun
- Ms Liu Yan, Interpreter from International Department of MOF
- Mr Kang Nongyi, Staff of the General Office of CICPA

Other attendees at the meeting

- Ms Liang Jing, Deputy Director of International Affairs Department, CICPA (observer)
- Ms Zhang Wen, Deputy Director of Professional Standards and Technical Guidance Department, CICPA (observer)
- Nick Arathimos, Director, International Affairs and Chairman's Office, New Zealand Securities Commission (assisting Jane Diplock)
- Sean Gilbert, Global Reporting Initiative (assisting IIRC Secretariat)
- Ms Lu Junyan, Manager, Listing Department, Tokyo Stock Exchange (assisting Atsushi Saito)
- Mariko Mashiro (IIRC Secretariat)
- Wei Peng, Asia Pacific Task Force Coordinator, UN Environment Programme Finance Initiative

Apologies - IIRC members

- Shri R. Bandyopadhyay, Secretary, Ministry of Corporate Affairs, India
- Tim Flynn, Chairman, KPMG International
- Ishaat Hussain, Chief Financial Officer, Tata
- Michael Izza, ICAEW Chief Executive, Global Accounting Alliance
- Professor Angeliem Kemna, Chief Investment Officer, APG
- Thomas Kusterer, EDF Energy Chief Financial Officer, EDF Group
- Charles McDonough, Vice-President and Controller, The World Bank
- Dennis Nally, Chairman, PricewaterhouseCoopers International Limited
- Roberto Pedote, Executive Vice President and Finance, Natura
- René Ricol, General Commissioner for Investment, France
- Richard Samans, Managing Director, WEF and Chairman, Climate Disclosure Standards Board
- Leslie Seidman, Acting Chairman, Financial Accounting Standards Board
- Björn Stigson, President, World Business Council for Sustainable Development
- Sir David Tweedie, Chairman, International Accounting Standards Board
- Doug Webb, 100 Group of Finance Directors
- Christy Wood, Chair, International Corporate Governance Network
- Jerry Edwards, Senior Advisor on Accounting and Auditing Policy, Financial Stability Board (official observer)