

**IIRC Council: Meeting of 27 April 2016**

**Time:** 10:05 - 16:20 (CEST)  
**Venue:** Deutsche Börse (Room C01-C02); Mergenthalerallee 61, 65760 Eschborn, Germany  
**Chairman:** Mervyn King  
**Attendance:** See attached list

**Agenda**

<b>Item</b>	<b>Paper</b>
1. Welcome and introduction	
2. Approvals and committee report	
2a Minutes of previous meeting and matters arising	Item 2a
2b Appointments	Item 2b
2c Governance and Nominations Committee report	Item 2c
3. CEO briefing	Item 3
4. Building a bridge from corporate reporting to capital allocation	Item 4
5. Implementation strategies for <IR>	Item 5
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6a Introductory session	
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6c Feedback session	
7. CEO reflections	
8. Any other business	
9. Chairman's closing statement	
Close	

**1. Welcome and introduction**

Jens Hochmeister (Chief of Staff – Deutsche Börse) welcomed the Council to Deutsche Börse. The Chairman thanked Mr Hochmeister and Deutsche Börse for hosting the meeting, and welcomed participants to it. He summarised the objective of the meeting as being primarily to further develop thinking relating to strategic direction.

**2. Approvals and committee report****2a Minutes of previous meeting and matters arising****Minutes**

The minutes were approved without revision.

**Matters arising**

N.A.

**2b Appointments****Key points of information/discussion**

The Chairman:

- Indicated that he would represent Council views in deliberations relating to appointment of a new CEO in succession to Paul Druckman.

- Extended thanks on behalf of the Council to Nelson Carvalho and Ranjit Singh, following their respective decisions to step down from the Governance and Nominations Committee. A process is underway to identify their successors on the Committee.

***Conclusions/Decisions***

N.A.

***Actions***

- i) Council members are to provide the IIRC team (Andrew Smith) with any suggestions for possible appointees to the Governance and Nominations Committee.

**2c Governance and Nominations Committee report**

***Key points of information/discussion***

N.A.

***Conclusions/Decisions***

N.A.

***Actions***

N.A.

**3. CEO briefing**

***Key points of information/discussion***

Paul Druckman made a presentation on status and prospects. Issues covered, together with issues subsequently raised by participants, were as follows:

***Academic research***

A growing body of academic research provides evidence of the economic merit of <IR>.

***Integrated reporters***

Integrated reports issued by Sanford Fisheries (New Zealand) and General Electric (USA), neither of which is a participant in the <IR> Business Network, are illustrative of growing moves towards - and increased take-up of - <IR> by organisations beyond the immediate 'family'. SAP's report is a compelling example of the merits of online reporting, the more so when tools are available that allow for meaningful interrogation and analysis of data.

***Public sector***

HM Treasury (i.e., the UK Finance Ministry) has given strong encouragement for Integrated Reporting in its recent guidance on public sector annual reports.

***Bridge to investors***

There have been some encouraging developments in relation to investors' engagement with <IR>, including: Larry Fink's letter to S&P 500 and the CFA Institute's response published in the Financial Times; inclusion of integrated reporting by CalPERS in its governance principles; Eumedion's letter to investors advocating the importance of integrated reporting.

***Corporate Reporting Dialogue ('the Dialogue')***

A retreat for Dialogue participants led by Richard Barker (Professor of Accounting – Said Business School, University of Oxford) took place on 26 April 2016, followed by a Dialogue meeting. A Statement of Common Principles of Materiality was released by the Dialogue in March 2016. There is increasing alignment and sense of purpose among Dialogue participants. There has been no real push to 'signpost' other reporting frameworks relating to any of the six capitals in the <IR> Framework, though informal recommendations are made on a case-by-case basis in response to queries. This is an issue we continue to monitor.

### *Integrated Reporting Foundation*

The Integrated Reporting Foundation established by the IIRC now has charitable status. It can be used to raise funding for a broad range of corporate reporting initiatives, including under the auspices of the Dialogue.

### *Training programme*

The IIRC is now in the process of contracting with 'Training Foundation Partners' who will deliver content based on the <IR> Competence Matrix developed by the IIRC.

### *<IR> adoption heatmap*

The CEO noted that progress was being made in developing an <IR> heatmap that did not just record the volume of integrated reports geographically, but also other pertinent factors, including market readiness, regulatory environment and other more qualitative measures that would ensure it was not simply a reporter 'numbers game'.

### *SMEs*

The IIRC is represented, through Paul Druckman and other IIRC Council members, on the B20 SMEs and Entrepreneurship Task Force established in 2015 by the Turkish B20 presidency. Little progress in this area is anticipated under the China presidency in 2016, but renewed focus is expected under the German presidency in 2017. The European Commission has an interest in SMEs and the Chair of the World SME Forum is also well aware of the IIRC and what we can potentially do in this area. WICI are developing guidance on <IR> for SMEs.

### *Information sharing between reporters*

Council members were reminded of the growing number of integrated reports referenced in the Examples Database, as well as the opportunity for sharing ideas on reporting practice.

### *Stock exchanges*

To date we have engaged with stock exchanges on a case-by-case basis, often in the context of guidelines for implementing environmental, social and corporate governance ('ESG'), which generates interest in transparency and disclosure practices. This in turn provides a platform for discussion on changes in market behaviour and capital allocation, where <IR> can make the connection between strategy, business model and disclosure.

### *NGOs*

NGOs can learn a lot about the development of reporting from the private sector. This has not been a high priority for the IIRC, primarily because of resourcing constraints, but <IR> clearly lends itself to articulation of a broader concept of value and total contribution to society that goes beyond the purely financial, as The Crown Estate has demonstrated.

### *Rating agencies*

We have not made great inroads to date in terms of connections with ratings agencies. The S&P Long-Term Value Creation Global Index offers a good opportunity, but attempts to make a connections have been slow going to date.

### *Regulators*

Engagement with regulatory bodies centres on getting them to understand their role in relation to <IR>, which is less about creating regulation than an enabling environment.

### **Conclusions/Decisions**

N.A.

### **Actions**

N.A.

**4. Building a bridge from corporate reporting to capital allocation*****Key points of information/discussion***

Neil Stevenson introduced the session by noting that there had been a number of interesting developments relating to <IR> involving the investor community in which the IIRC was not itself directly involved.

Erik Breen (Chair - ICGN; and Manager SRI - Triodos Bank), Sandra Peters (Head, Financial Reporting Policy and Interim CFO - CFA Institute) and Steve Monnier (Director, Investment Stewardship - BlackRock) each made some introductory remarks. In summary, key points from their remarks and the subsequent discussion were as follows:

- <IR> is an important part of the reporting system. Investors want to understand where/how the invested dollar is being applied along the whole value chain, in which respect an investment 'heatmap' can be helpful.
- Companies spend a lot of time talking to proxy research firms before they publish research, but not talking to larger investors, which typically have a significant position in many companies. This can prove frustrating and the first BlackRock CEO letter in 2012 was borne of this frustration.
- It is not always easy to engage CEO interest in discussions on sustainability and ESG, because they typically don't see the topic as important to investors. Yet investors are increasingly interested in and familiar with notions of sustainability and ESG, because their clients are interested in them. Engagement with companies is critical to the fiduciary investor's mission of enhancing and protecting the value of clients' assets over long-term.
- Couching the conversation in terms of enhanced operational excellence and efficiency enables a more meaningful discussion. <IR> fits nicely with this discussion, which represents a useful way in, especially for integrated thinking. However, there is still a way to go to bring things together and there is still a language barrier to overcome.
- Investors are looking for companies to provide a vision of their future, together with an understanding of the ecosystem in which they operate and how changes in that ecosystem can affect them, as well as how and when long-term investments will deliver returns. Quarterly reports can be seen as a 'health-check' on progress towards delivery of long-term strategy.
- The <IR> Framework is very helpful in this regard, because it facilitates efforts to value intangibles, which remains an important challenge to overcome. Financial information is unduly concentrated on the balance sheet, rather than the profit and loss account and linkage to cashflow.
- It is perhaps preferable to refer to 'the bridge from capital allocation to corporate reporting', rather than the other way around. The challenge in building the bridge is tying the right information together. This requires active involvement from all actors. There is creative tension between corporates and investors. Companies profess to be overwhelmed by the reporting burden, but need meaningful dialogue with investors. Investors need to provide more feedback on how they use information in reports. To facilitate the dialogue, companies should signpost where in their reporting pertinent information is to be found. Prioritisation of risks would also help. In this respect, <IR> helps investors understand what companies are really doing to create value.

***Conclusions/Decisions***

N.A.

***Actions***

N.A.

## 5. Implementation strategies for <IR>

### **Key points of information/discussion**

Lisa French introduced the session by noting that the World Bank and Itaú Unibanco had a lot in common in the context of <IR>. Both are in the banking sector, started down the path towards <IR> a while ago and are pioneers in the field. In both, it is the finance function that oversees implementation of <IR>. Yet each has adopted a different strategy towards implementation.

Giorgio Saavedra (Corporate Reporting and Analysis - World Bank) and Rodrigo Morais (Group Head of Accounting Policy - Itaú Unibanco) each made some introductory remarks. In summary, key points from their remarks and the subsequent discussion were as follows:

#### *World Bank*

- <IR> is not about the output of the report. It is more meaningful in terms of the process. The chief goal is integrated thinking and telling the story comfortably internally first. The external report will come later.
- The World Bank got into <IR> because it recognised the limitations of financial statements and a need to improve both external and internal reporting. There was particular recognition of the need for reporting that was both informative and helped better decision-making. A review highlighted the fact that it produced a lot of reports and had many silos in different areas of responsibility, so reporting to strategy was scattered and disconnected.
- The World Bank recognised that <IR> offered a tool to aid management get a holistic view over value creation and a broader view of stakeholders. From the very beginning it saw the opportunity to embed integrated thinking into the organization. It intentionally did not put a timeline on the preparation of the report, because it felt no timeline could be put on achieving integrated thinking.
- Integrated thinking makes for more informed decision-making, but this is a hard concept to sell within the organization. The tendency is to focus on the report. A number of performance management tools were therefore researched, including balanced scorecard methodology and strategy maps, which also help management create internal alignment for strategy and focus on the right metrics for delivery of strategy by connecting cause and effect. An integrated dashboard also helped get the organization on the integrated thinking path, without overly focusing on the related complexities. Cascaded objectives ensure everyone understands and 'has a line of sight' to what they are working towards.
- Application of such tools creates the opportunity to appropriately connect silos. It is important to create awareness of what others are working on, their priorities and metrics, which builds common understanding and keeps management focused on what is important across the organisation.
- Getting buy in can be challenging, the more so in a consensus-driven organization such as the World Bank. It is easier to 'sell' the initiative internally if it is positioned as a strategic initiative that helps management make better decisions, rather than as a reporting initiative.

#### *Itaú Unibanco*

- The motivation for adoption of <IR> by Itaú Unibanco was that, although producing many pages of financial statements, it realised it was not producing any really good, user-friendly information on the company.
- The question was whether to evolve then publish, or publish then evolve. The sense was that there was a need to produce something tangible on which to build, so the first report was produced in 2014.

- Integrated thinking is difficult to implement, given the challenges of communication and the need to break silos, change language and culture. It would have been much more difficult without having first published a report.
- Critical success factors for implementation are:
  - Get people engaged, including a range of executives.
  - Have the Finance Director as sponsor.
  - Establish cross-functional/multi-disciplinary working groups.
  - Produce and publish the best report possible.

### ***Conclusions/Decisions***

N.A.

### ***Actions***

N.A.

## **6. Corporate reporting system**

### **6a Introductory session**

#### ***Key points of information/discussion***

Jonathan Labrey introduced the session by noting that it was important to understand <IR>'s role and relevance in the context of the overarching corporate reporting system.

Huguette Labelle (Chair – Corporate Reporting Dialogue), David Pitt-Watson (Co-Chair - UNEP Finance Initiative) and Ian Mackintosh (Vice Chairman - International Accounting Standards Board) each made some introductory remarks. In summary, key points from their remarks and the subsequent discussion were as follows:

- The purpose of the Dialogue is to strengthen cooperation, coordination, coherence, consistency and alignment between key reporting framework developers and standard setters with influence and importance in the global reporting landscape.
- Initial priorities of the Dialogue are: (a) the landscape map; (b) materiality; (c) shared value; (d) assurance; and (e) technology.
- The Dialogue participants' retreat on 26 April 2016 looked at a number of issues:
  - The current and emerging context and its impacts on corporate reporting (e.g., COP21, Sustainable Development Goals, G20 commitments).
  - Various challenges to the current economic model and particularly the increasing focus on long-term value creation over short term return.
  - Gaps in the reporting world as it exists now.
  - The relationship between the Dialogue and investors.
  - How strong leadership and focus on best practices can create a 'race to the top'.
  - How to interface with a broader group of framework developers and standard setters and whether more participants should be added to the current group.
- The purpose and value of corporate reporting to providers of financial capital is to give insight into what an organization does and how it is run. It is the opportunity for companies to set the agenda for the conversation with investors in a proactive fashion, since it is what is in the report that will form the basis of conversation.
- Information about the status and prospects of any organization is of relevance to diverse stakeholders, not just investors. Reports certainly have financial importance (e.g., in terms of price discovery), but there are broader implications, in terms of holding those running

the company accountable for what they do and how they run it. There is no one, single descriptive by which to know if a company is doing well or not, which derives from a diverse range of information sources. Mapping the different information sources allows for identification of reporting gaps.

- We must take care not to allow ‘the best to become the enemy of the good’. The IIRC has made great strides and <IR> can play such an important role. If we do not have ‘integrated reporting’, we will have ‘disintegrated reporting’.

***Conclusions/Decisions***

N.A.

***Actions***

N.A.

**6b Breakout session**

***Key points of information/discussion***

Participants broke into four groups to address the following topics as specified in paper 6: (a) role and scope of the corporate reporting system; (b) developing a global consensus; (c) value proposition; (d) <IR> and the corporate reporting system; and (e) organizational structure. A summary of input from each of the breakout groups is available as an annex hereto.

***Conclusions/Decisions***

N.A.

***Actions***

N.A.

**6c Feedback session**

***Key points of information/discussion***

In summary, key points of feedback in plenary and related discussion were as follows:

- There is a real need for a set of ‘top-down’, high-level, globally applicable principles of corporate reporting that will guide the evolution of the corporate reporting system. The Dialogue is the appropriate forum to develop these principles, thereby providing clarity, understanding and efficiency to the reporting landscape.
- There is a need for more predictive information as a necessary - though not easy - next stage in the evolution of corporate reporting. The paradigm shift will come when technology innovations enable investor and others to create tailored datasets.
- A system level approach to reporting, including a common language, is key to the development of trust in business by broad stakeholder groups, based on greater efficiency, alignment of corporate objectives with those of stakeholders and communication with them about value creation and resilience.
- Reporting needs to reflect the debate around the role and purpose of companies and fit with emerging concepts of 21<sup>st</sup> century governance. ‘Value’ means different things to different people and <IR> provides a platform for its re-definition.
- The ultimate goal is a new reporting model and system. Some believe the role of <IR> is to become the new system. In this respect, it is important not to confuse <IR> with the IIRC. <IR> will reshape reporting, but it will also reshape governance, management, training and incentives.



**Conclusions/Decisions**

N.A.

**Actions**

- i) The IIRC team is to develop core elements and outputs from the meeting into a proposed way forward for consideration at the next Council meeting.

**7. CEO reflections****Key points of information/discussion**

The CEO made some reflections at what is expected to be his last Council meeting in such capacity:

- The world is changing fast and trying to address some really big issues, such as economic instability, terrorism, climate change and population migration. Cyber security is the number one concern of the C-suite. All are complex, cross-border issues that regulators and standard setters struggle to keep up with.
- It is hard to think of any of these issues that does not impact business in some way. This is forcing conversations at a very fundamental level, not least about the purpose of the corporation: does a business exist to maximise profit, or to serve a broader social and economic purpose? With so many questions being asked, it is fair to say that the corporate reporting system is in flux.
- The IIRC's role is not simply to promote Integrated Reporting, but also to develop the rationale for an integrated report, which is integrated thinking – or, put another way, connected value creation over time. Integrated thinking as articulated by an integrated report is an important component of the reporting system. We should understand the relationship between corporate reporting and the other parties in the capital markets and economic system.
- The coalition that the Council embodies is the real power of the IIRC, which has punched above its weight and achieved far more than could reasonably be expected. The role in this played by the accounting profession particularly should be acknowledged.
- The IIRC and <IR> have helped to make the transition from mono-capitalism, with its focus on financial capital in isolation, towards multi-capitalism, where a broader range of factors are brought into the mainstream. <IR> does not represent the endgame and adding these multiple capitals into the mix is not sufficient in itself. The challenge for the IIRC is to advocate and advance an inclusive capitalism model, because this is how our vision of a connected world will be realised and delivery of broad-based prosperity become a reality.

The Chairman noted that the IIRC had gone from strength to strength in the past five years and achieved great things. He indicated that Paul Druckman will continue to be closely involved with the IIRC in an honorary capacity after he steps down as CEO. There will be a more formal farewell in conjunction with the Council meeting in December 2016.

**Conclusions/Decisions**

N.A.

**Actions**

N.A.

**8. Any other business**

N.A.



**9. Chairman's closing statement**

The Chairman noted that the next Council meeting is scheduled to take place in London on 6 December 2016. He thanked participants for their contributions to the day's proceedings, Deutsche Börse for hosting the meeting and the IIRC team for preparing it.

He closed the meeting at 16:20 (CEST).

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Minutes

## Attendance

### Present

#### Members/members-designate/alternates

Mervyn	King	Chairman of the Council	
Gordon	Beal	CPA Canada	(for Joy Thomas)
Erik	Breen	ICGN	
Richard	Chambers	Institute of Internal Auditors	
Mahendra	Chouhan	Asian Centre for Corp. Gov. & Sust.	
Aron	Cramer	Business for Social Responsibility	
David	Cruickshank	Deloitte	
Jean-Charles	De Lasteyrie	French Interest	
Kris	Douma	PRI	(for Fiona Reynolds)
Morne	Du Plessis	WWF	
Thomas	Duffy	KPMG	(for William O'Mara)
Steve	Gunders	SASB	
Stephen	Harrison	Global Accounting Alliance	
Alan	Hatfield	ACCA	
Rodney	Irwin	WBCSD	
Frank	Klein	EFFAS	
Thomas	Kusterer	EnBW	
Robert	Landwehr	EY	(for Mark Weinberger)
Robert	Laux	Microsoft	
Chun Seon	Lee	Korea Productivity Center	
Ian	Mackintosh	IASB	(for Hans Hoogervorst)
Michael	Meehan	Global Reporting Initiative	
Steve	Monnier	BlackRock	(for Michelle Edkins)
Brad	Monterio	IMA	(for Jeff Thomson)
Mark	Moody-Stuart	UN Global Compact	
Kitmitaka	Mori	JICPA	
Terence	Nombembe	SAICA	
Sandra	Peters	CFA Institute	
David	Pitt-Watson	UNEP Finance Initiative	
Andrew	Ratcliffe	ICAEW	(for Michael Izza)
James	Roberts	BDO	(for Martin van Roekel)
Giorgio	Saavedra	World Bank	(for Zinga Venner)
Wienand	Schruff	IFAC	(for Olivia Kirtley)
Paul	Simpson	CDP	
Susanne	Stormer	Novo Nordisk	
Christoph	Stückelberger	Globethics.net	
Angeli	Van Buren	Eumedion	
Janet	Voûte	Nestlé	
Simon	Walker	Institute of Directors	
Stefano	Zambon	WICI	

#### Guests

Eric	Hespenheide	IIRC Ambassador	
Sohyun	Kim	Korea Productivity Center	
Huguette	Labelle	Chair, Corporate Reporting Dialogue	
Rodrigo	Morais	Itaú Unibanco	
Yoichi	Mori	JICPA	
Francis	Nicholson	Institute of Internal Auditors	
Vincent	Papa	CFA Institute	
Young Wook	Park	Korea Productivity Center	

#### IIRC Directors

Jane	Diplock	Deputy Chairman of the Board, IIRC	
Paul	Druckman	Chief Executive Officer, IIRC	
Barry	Melancon	Chairman of the Board, IIRC	
Christian	Strenger		

IIRC Council  
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 Minutes

**IIRC Team**

Lisa	French
Sarah	Grey
Ian	Jameson
Jonathan	Labrey
Andrew	Smith
Neil	Stevenson

**Apologies**
**Members/members-designate**

Paul	Andrews	IOSCO	
Koushik	Chatterjee	Tata	
Sok Hui	Chng	DBS Group	
Mustafa	Baltaci	FEAS	Proxy to the Chairman
Timothy	Christen	AICPA	
Cobus	De Swardt	Transparency International	Proxy to the Chairman
Yogesh Chander	Deveshwar	CII-ITC Centre of Excellence	
Robert	Eccles	Harvard Business School	
Michelle	Edkins	BlackRock	Represented by alternate
Margaret	Foran	Prudential Financial	
Farha-Joyce	Haboucha	Rockefeller & Co	Proxy to the Chairman
Chris	Hitchen	Railpen	
Hans	Hoogervorst	IASB	Represented by alternate
Michael	Izza	ICAEW	Represented by alternate
Olivia	Kirtley	IFAC	Represented by alternate
Claudia	Kruse	APG Asset Management	
Eliane	Lustosa	IBGC	
Mindy	Lubber	Ceres	Proxy to the Chairman
Alex	Malley	CPA Australia	
Dennis	Nally	PwC	
Edward	Nusbaum	Grant Thornton	
Saker	Nusseibeh	Hermes	
William	O'Mara	KPMG	Represented by alternate
Geert	Peeters	CLP	
Renato	Proença Lopes	PREVI	
Fiona	Reynolds	PRI	Represented by alternate
Richard	Samans	World Economic Forum	
Takafumi	Sato	Japan Exchange Group	Proxy to the Chairman
Jeffrey	Thomson	IMA	Represented by alternate
Joy	Thomas	CPA Canada	Represented by alternate
Charles	Tilley	CIMA	Proxy to the Chairman
Daniel	Tisch	Global Alliance for PR & Comm Mgt	
Martin	Van Roekel	BDO	Represented by alternate
Zinga	Venner	World Bank	Represented by alternate
Mark	Weinberger	EY	Represented by alternate
Lee	White	CAANZ	Proxy to Stephen Harrison
Andrew	Wright	A4S	
James	Zhan	UNCTAD	

**Observers**

Robin	Edme	Group of Friends of Paragraph 47
Russell	Golden	FASB
Kevin	McKinley	ISO
Richard	Thorpe	FSB

**IIRC Directors**

Peter	Bakker
Helen	Brand
Alexsandro	Broedel Lopes
Timothy P.	Flynn
Reuel	Khoza
Izumi	Kobayashi
David	Nussbaum
Upendra Kumar	Sinha