

IIRC Working Group Meeting of 12/13 February 2013

Minutes

Date: 12/13 February 2013

Time: Day one: 10:00 – 17:45 (CET)
Day two: 09:00 – 14:30 (CET)

Venue: Ernst & Young; Tour First; 1 Place des Saisons; La Défense; Paris; France

Attendance: See Appendix A

Chairman: Ian Ball

Minutes: Andrew Smith

Agenda

Item	Paper
1. Welcome, introduction and objectives for the meeting	
2. Approval of minutes from previous meeting and matters arising	Item 2
3. CEO briefing	Item 3
4. The Framework	Item 4(1);4(2);4(3)
5. Consultation Draft engagement plan	Item 5
6. Looking to the future	
7. Post-2014: Introductory overview	Item 7
8. Post-2014 remit: Implementation of <IR>	Item 8
9. Post-2014 remit: Corporate reporting dialogue	Item 9
10. Next steps and any other business	
11. Close	

1. Welcome, introduction and objectives for the meeting

The Working Group ('WG') was welcomed to Paris by Jeanne Boilet on behalf of Ernst & Young.

The WG Chairman welcomed all participants, especially those attending as new members and/or for the first time and outlined the intended key outcomes of the meeting.

2. Approval of minutes from previous meeting and matters arising

The minutes of the WG meeting on 17 September 2012 were approved without revision.

Matters arising

A query was raised on progress towards creation of a special task force to promote <IR> in the USA. Paul Druckman indicated that there had been no movement on this point, but that it would be opportune to move forward on this to coincide with the Consultation Period.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

Actions

The Secretariat is to look into the formation of a special task force to promote <IR> in the USA.

3. CEO briefing

A copy of presentation material used by the CEO is available.

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- The "IIRC family" (i.e., including all WG members) must get behind the Consultation Draft, proactively engaging with other third parties to promote it and generate widespread interest, review and comment.
- The Investor Testing Group held its first call on 29 January 2013, the key outcomes of which were: (a) a commitment to try and identify specific good examples of integrated reporting for a databank of best practice from an investor point of view; and (b) provide feedback to the Technical Task Force ('TTF') on the draft Framework.
- It is important to build the IIRC "brand" as the point of reference for <IR> and avoid market confusion caused by a proliferation of different definitions/understandings of what <IR> is. In this respect, it would be helpful to identify one or more suitable metrics by which to assess the extent to which the IIRC is successful in being globally recognised as such a point of reference.
- The IIRC should consider how it can be inclusive of views that are sceptical of investor primacy in matters of corporate value appreciation, including those that reflect structural concerns about the sustainability of the capitalist system as we know it.

Actions

N.A.

4. The Framework

References to specific sections of the Framework ('FW') are to the draft of the Framework provided ahead of the meeting in paper 4(2).

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion, to inform the final editing process to be undertaken by the Secretariat in conjunction with the TTF:

General

- The current draft needs a professional edit to reflect a consistent tone throughout.
- The Framework does a lot to address <IR> concepts, but has little guidance for the preparation of integrated reports.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- The Framework or accompanying communications could describe how <IR> is different from current reporting and how it would improve the existing model.
- Discussion regarding the process followed to date is not germane to the Framework and could be better served by inclusion in a basis of conclusion section than by inclusion in the Framework itself.
- Concern was expressed about how to ensure that those claiming to have prepared an integrated report are using the Framework and how the credibility of self-declared integrated reports can be ensured. Does the Framework support benchmarking?
- From a procedural point of view, can elements of the Framework included in the Consultation Draft be dropped in the final version of the Framework issued in December 2013, such that it is more concise/precise?
- The Framework could increase its coverage of the process to develop an integrated report (ref. FW 5). Better guidance would offer increased chances of its successful take-up.
- In FW 1.3, should the focus on integrated thinking be listed as the primary aim of <IR>, which other aims support?
- It could be clearly stated that the Consultation Draft serves as a principles-based Framework that is different in nature and purpose to a standards document.
- Consideration could be given to use of a cover letter/foreword introducing the Consultation Draft, laying out what the Framework is designed to achieve, what process has been followed to date to produce it and appropriate caveats (which can be removed from the main body of the Framework as a result).

Requirements

- The "black-letter text" highlights the basic requirements (the "must-dos") of an integrated report and will inevitably form a baseline.
- Should the tone of what constitutes an integrated report remain "directive", setting the bar high, which represents a clear statement of purpose but might discourage some reporters, or should it allow for flexibility in terms of "comply or explain"? However, a "comply or explain" approach could undermine experimentation.
- Does the black-lettered text provide the total picture of what is necessary to prepare an integrated report?
- Should the black-letter text be run through Pilot Programme companies?
- Consider producing an appendix incorporating the black-letter text or including it in an Executive Summary, reviewing the list for consistency and completeness, such that it can stand on its own.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

Intended report users

- It is accepted that providers of financial capital are the primary audience for <IR>, but they are not the sole audience; accordingly, excluding other users by use of restrictive terminology in the Framework could be avoided.
- Language in the draft Framework (FW 1.4) suggesting that investors are aligned to wider societal/public interest may be seen to lack credibility. The Framework could state that it is hoped that <IR> will help align investors' interests with the public interest over time.
- In addition to identifying primary users (i.e. providers of financial capital), it would also be helpful to identify secondary users.
- The Framework could highlight the fact that an exclusively short-term view is not in investors' best interests, but that a balance between long-term and short-term value creation is required.

Outcomes

- It was agreed that the Outcomes diagram distributed at the meeting should replace figure 2 in FW 2.4 after some additional changes:
 - "Operational context" could reflect external factors.
 - "Value-adding activities" could be replaced with "business activities" as a neutral term for activities that can affect value, which recognizes that business activities can create/add value, but also destroy/diminish value.
 - Should a distinction be drawn between outcomes and impacts, whereby outcomes are consequences of impacts, not the impacts themselves (i.e. an output generates an impact, which in turn leads to an outcome)?
- Companies could be more open on impacts, both positive and negative, including negative impacts on others.
- Should the Framework focus more on measurement and comparability? This assists investors and others, but is not part of the IIRC's mission. Other frameworks and standards exist to support performance measurement in relation to the various capitals and <IR> should defer to them.
- Practical questions exist about how to measure outcomes (i.e. an increase or decrease in one or more of the capitals), which is difficult to do, whereas outputs are often (though by no means always) less so and are sometimes seen as a proxy for outcomes.
- Outcomes are good as a concept (i.e. in terms of reporting on the most material internal/external consequences for the capitals).
- Companies could provide commentary on how they achieve and ensure the sustainability of their business model going forward.

The capitals

- There is no need to change the descriptions of each of the capitals as currently contained in the Framework, not least bearing in mind that the Framework does not require reporters to reference a standard categorisation.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- It is worth considering placing earlier in the Framework the fact that the Framework is not prescriptive on use of the classifications of the capitals it provides.
- The former definition of “capitals” in the Glossary is preferred.
- Review the wording of FW 2.18 in conjunction with FW 2.20 to ensure the spirit of reporting on the capitals is not lost by the lack of any requirement to do so according to the Framework’s categorisation.

Value creation

- It is important to stress that the purpose of <IR> is not to measure value, but to provide information that allows others to do so.
- It is also important to remember that not everything a company does creates or adds value. It can also destroy value and the Framework could also reference value destruction as a potential outcome of business activities, in addition to value creation, allowing for the fact that most Boards are likely to be reluctant to describe how they destroy value.

Materiality

- Is there a need for so much black-letter text on materiality, parts of which seem unduly prescriptive?
- Materiality could apply a lens to look at which capitals are relevant to future growth, rather than covering externalities of activities (e.g., in the case of training employees, there is no need to explain the societal outcomes).
- Materiality is informed by the timescale that the primary intended audience is interested in (e.g., in the sense that too much focus on the short-term can lead to long-term damage, as issues not addressed properly can compound and become much bigger). FW 3.23 could reference this (e.g. “... capitals it uses or affects in the short, medium and long term.”)
- Different reporting frameworks apply different definitions of materiality.
- FW figure 4 repeats what is already described in narrative and could be seen to be superfluous. FW figure 5 is of little relevance and could be removed to an appendix.
- Clarification is needed regarding the point that directors should determine materiality, based on what they assess as material from the perspective of intended users.

Content elements

- The ordering of the content elements could provide a more coherent flow. Possibilities include:
 - Strategy appearing further up the list (i.e., because the business model represents the implementation of strategy);
 - Putting them in alphabetical order; or
 - Putting them in the order they are discussed in FW 2.5-2.11.
- Management reward could feature more prominently in the Framework.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- Companies could be described as being better at articulating the nature of risks than how they manage them and to what effect (i.e. a “boiler-plate” approach). It is not enough that companies itemize their key risks. They could also report on what is being done to mitigate them. More focus might be needed in the Framework on the need to report on policies and processes to manage such risks.

External references

- External references are helpful, because they add to the body of guidance available and thereby promote further clarity.
- External references could not be included in the Framework itself, but incorporated in an appendix/other form of supporting document. This would be a “living” document and allow for update as required, without having to follow whatever due process is required for revisions to the Framework.

Other additions/changes references

- It could be said that it is not so important that an integrated report addresses what the reporting organization’s governance structure is/looks like (which can, e.g., be covered by a diagram/other explanation on its website), but how effective it is.
- The table highlighting links between capitals and stakeholders (FW Appendix A) is helpful to promote understanding of connectivity, but might need more work to make it succinct and effective. It could in any event not form part of the Framework itself, but be made available as a supporting document.

Consultation questions

- Fewer and more targeted questions could be included in the Discussion Paper than were included in the draft provided ahead of the meeting.
- Consultation questions could focus on difficult/challenging issues (“burning issues”) that have not been fully resolved and continue to trouble the Secretariat and TTF.
- The survey/rating approach, if used, might be limited, although it does facilitate ready analysis and overview of feedback and allow for production of useful statistics. However, it might not be seen as a substitute for substantive comments.
- Where rating questions are used, they could be at the end of the section or even the entire document. If they are at the beginning, it may deter people from answering questions that follow.
- Professional input on the survey should be considered.
- Open questions are preferable to closed questions.
- Use of the word “appropriate” in the consultation questions should perhaps be avoided.
- Consultation questions should perhaps not be about whether the IIRC has done a good job, but whether the draft Framework addresses respondents’ requirements and what it means for them.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- The consultation process could be used to test presumptions behind the draft Framework, such as: (a) what is obvious and therefore does not need re-stating, but can be taken out; and (b) what is missing and what gaps need to be filled?
- Space could be left for respondents to provide comments, but care should be taken not to orientate questions towards areas that have already been resolved and are "not negotiable".
- The ability to provide feedback online would be helpful.
- Respondents might be given flexibility to answer some or all of the consultation questions.
- Different questions might be targeted at different audiences (e.g., some directed to report preparers and others to investors).

Conclusion

- Changes to the draft Framework discussed/proposed at this meeting represent potential enhancements, but the document does not contain fundamental flaws. The basic concepts it contains are sound.
- Huge progress has been made since the initiative to develop the Framework started. It is important not to allow "the perfect to become the enemy of the good".
- The consultation process provides a perfect opportunity to identify remaining gaps and key issues to address.
- The Working Group is invited at this stage to make a recommendation to the Council on the release of a Consultation Draft, not on the final Framework. The consultation process will inevitably identify queries and concerns that will be addressed in the process to develop the Framework Version 1.0.
- If there is a substantial re-write of the Framework following the consultation period, the option remains to submit it to re-exposure (i.e. a further round of public consultation).
- The Council will effectively be conducting a "fatal flaw" review of the Consultation Draft.

Decisions/recommendations

- WG members voted (all in favour, bar one abstention) to recommend the Consultation Draft to the Council, incorporating revisions to be made by the Secretariat and TTF further to discussion at this meeting.

The abstention was not based on a substantive objection to the content of the draft Framework, but a concern that the process to review changes to the Framework prior to its approval by the Council and subsequent release was not clear enough.

- Ian Ball, as WG Chairman, is to notify the Council of: (a) the extent to which any WG member believes that the revised draft submitted to the Council is substantively defective in any way by reference to WG deliberations; and (b) the reasons why.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

Actions

- WG members are to provide editorial comments on the Consultation Draft to the IIRC Technical Team by 19 February 2013.
- Tom Rotherham is to provide input on the process to develop an integrated report (ref. FW 5).
- The Secretariat is to provide a red-lined version of the revised draft (i.e., the version that is submitted to the Council) to WG members for information, so they can see how changes discussed at this WG meeting have been addressed and raise any fundamental flaws with the WG Chairman ahead of the Council meeting on 19 March 2013.

C-suite document

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- The C-suite summary is intended not as a summary of the Framework, but as a standalone piece of collateral that “makes the case” for <IR> to senior executives and, in the short-term, stimulates their engagement in consultation period events and responses to the Consultation Draft.
- The C-suite summary should convey the sense of <IR>’s “positive inevitability”, whereby adopting <IR> demonstrates market leadership and offers great opportunities and business benefits, while failing to do so represents a considerable risk of being left behind.
- Specific suggestions for revisions to the C-suite summary include:
 - Addressing how <IR> relates to other forms of reporting and how it is different.
 - The document could be shorter (max. 2 pages) and punchier.
 - “Corporate reporting language” could be changed to “corporate reporting model”.
 - Peer-to-peer comments could be added in, so it is not just an IIRC document, but reflects market sentiment and experience.
 - Introductory quote from someone prestigious up front.
 - The document could focus on capitals (i.e., a new way of seeing things) and include the revised diagram on outcomes.
 - The document could stress the business benefits of <IR> in terms of the way a company is run, but in such a way that it helps CEOs understand what people interested in their company will connect to.

Actions

- The Secretariat is to develop a revised draft C-suite document with due consideration for input provided by WG members.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

5. Consultation Draft engagement plan

A copy of presentation material used by Jonathan Labrey is available.

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- What would be the “ideal” headline to accompany the launch of the Consultation Draft on 16 April 2013 and again at the launch of the final version in December 2013?
- The IIRC should be bold in the engagement process, referencing, e.g.:
 - The fact that <IR> is not just “better” than what currently exists, or “a new initiative”, but represents “a fundamental shift in corporate reporting”.
 - The nature and importance of the IIRC coalition members.
 - Regional/national/sectoral leaders.
 - Case studies where possible.
 - Helpful analogies.
- The message must be consistent worldwide, avoiding different messages in different places (e.g., a video for use at each event might be helpful).
- The IIRC should ensure it connects with local regulators during the consultation period.
- The IIRC should identify and target events that attract CEOs to promote the Framework.

Actions

- The Secretariat is to issue a briefing pack (to Council, WG, Board, Ambassadors and others as appropriate) for use in relation to Consultation Period events comprising:
 - Key messages;
 - A media pack;
 - A standard speech; and
 - A standard slide deck.
- The Secretariat is to draw up a list of priority target Consultation Draft respondents.
- WG members are to support the Consultation Draft engagement process as best they can, by e.g.:
 - Getting the Consultation Draft on their website.
 - Issuing press releases.
 - Referring to the Consultation Draft in newsletters/blogs.
 - Leveraging media networks.
 - Advising the Secretariat of any other events that can be tapped into.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- The Secretariat is to investigate means by which to engage with the Council of Institutional Investors ('CII') at an event the CII is holding on 17 April 2013 in New York.

6. Looking to the future

Michel Doucin (French Ambassador for Bioethics and Corporate Social Responsibility and previously French Ambassador for Human Rights) gave a short presentation summarising successive French governments' commitment to improving corporate reporting requirements in the wider social and economic interest, in the context of which:

- The French government works closely with other interested parties at the international level (e.g., OECD; Friends of Para 47; the German government in the context of the EU).
- The French model makes company shareholders responsible for enforcing compliance with non-financial reporting requirements, if necessary, through the courts.
- The French government's current focus in relation to corporate reporting requirements is on updating legislation: (a) to minimise potential confusion arising from discrepancies in use of terminology between laws and decrees currently on the statute book; and (b) focus on translating what appears to many companies as an obligation into a management tool. There is also a focus on improving reporting by public sector entities.
- The French government is willing to collaborate with the IIRC.

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- The trades union movement, following initial scepticism and reluctance, now plays an increasingly active role in the corporate reporting field in France. The IIRC should think about getting trades unions more involved in the <IR> development process.
- Indications that companies are taking the wider reporting agenda seriously include:
 - The growing importance of non-financial criteria in assessing management performance and reward.
 - More and more sustainability directors are sitting on Executive Committees in French companies.
 - An increasing amount of time (ca. 10%) is spent on sustainability issues at Annual General Meetings.

Actions

- The Secretariat is to address prospects for collaboration/cooperation with the French government on <IR>.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

7. Post-2014: Introductory overview

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- There are three anticipated main areas of focus for the post-2014 remit:
 - Advancement/development of the <IR> Framework.
 - Implementation and awareness of, and education relating to, the Framework.
 - Creating a corporate reporting dialogue.
- The Institutional Arrangements Task Force ('IATF') is charged with making recommendations as to structure, governance and funding relating to delivery of the post-2014 remit, in which respect essentially 3 options exist for the IIRC post-2014:
 - Dissolve.
 - Put its work into another existing organisation.
 - Institutionalise, by creating a permanent standard-setting body.
- The issue for consideration is what success for <IR> looks like. This should:
 - (a) avoid any association of success of the outcome for <IR> with the success of any specific institutional body; and (b) be clear on what can be achieved by mechanisms other than the IIRC.

Actions

- The Secretariat is to provide the WG at its meeting on 17 June 2013 with an update on the IIRC post-2014 remit.

8. Post-2014 remit: Implementation of <IR>

Initial short overviews of implementation experiences in their own respective fields were provided by Pedro Faria (CDP), Alan Teixeira (IASB) and Ernst Ligteringen (GRI), key points arising from - and points noted relating to - which are:

- Emphasise the carrot (demonstrate successful case studies) and stick (emphasise investor scrutiny) approach.
- Exercise companies' competitive instincts, through public ratings.
- Emphasise collaboration as a great way to leverage existing partnerships, initiatives and networks.
- Provide recognition/coverage to companies who are doing a good job in relation to <IR>.
- Plan ahead and consult extensively, putting material in the public domain and providing plenty of opportunity for people to comment, ensuring that their feedback is heard.
- Engage not only the C-suite ("top-down" approach), but also those who actually do the reporting ("percolation upwards").

IIRC Working Group Meeting of 12/13 February 2013

Minutes

- Define criteria for success of the targeted step change, mindful of the fact that the IIRC is a facilitator and that it is the companies themselves who will actually be implementing.
- Have a vision, but also foresee the process, in terms of realistic, measurable steps along the way towards realisation of the vision (i.e., "keep it real", avoiding setting the bar too high too quickly, which may put people off). Aspirations are good, but they need to be founded in reality.
- Get people to understand the problem and agree that the problem is real, before trying to sell them the solution.
- Be careful about who you get to present on your behalf.
- Encourage, rather than impose, changes in behaviour. In this respect, engage with others in the reporting supply chain (i.e., not just reporters and users), such as regulators and auditors. They are a key conduit via which to facilitate change in report preparers' and report users' practices.
- Get regulators' buy-in. They need something they can work into their respective national regulatory frameworks, whether by operation of law, or other means designed to make the environment conducive to <IR>.
- Be clear and inspirational with the message and why the IIRC exists, which is not better reporting *per se*, but a contribution to financial stability and sustainability.
- Promote common, joint understanding of <IR> and its purpose, based on trust and an appreciation that different stakeholders are at different stages of understanding, will move at a different pace and need to be heard.
- Explain the role, identity and strategy of the coalition and how it serves the public interest.
- Demonstrate an understanding of the cost implications involved for reporters.
- Understand the potential tension arising between the role of framework developer and advocate of change.

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- It is important that those closely involved with the development of the Framework (e.g., Council, WG and TTF members, Ambassadors and Pilot Programme participants) act consistently in their external environment with what they agree and commit to internally to the IIRC.

Summary of feedback from 3 breakout groups

- A summary of feedback from each of 3 break-out group sessions is attached as Appendix B.

Actions

N.A.

IIRC Working Group Meeting of 12/13 February 2013

Minutes

9. Post-2014 remit: Corporate reporting dialogue

Key points of information/discussion

The following points were raised by meeting participants during the course of discussion:

- It is important to understand the purpose of the proposed dialogue, in terms of clarity relating to the relationship between the different framework providers and standard-setters in relation to <IR> and specifically whether:
 - <IR> is intended as a corporate reporting approach involving various different reporting frameworks and standards (i.e., an umbrella organization arrangement)
 - The goal is rationalization/alignment of the various different reporting frameworks and standards and their possible convergence into one overarching reporting approach over time (i.e., an apex organization arrangement).
- At issue is the future of corporate reporting, not the specific concerns/agendas of the IIRC or other organizations.
- It is important to ensure that the IIRC is not positioned or perceived as “just another” initiative, which muddies the waters.
- Reporting is a challenge for companies and the proliferation of different reporting requirements a burden. The IIRC’s brief is to promote “integrated” reporting, meaning it is well-placed to assume the responsibility of leadership in addressing this issue, challenging other organizations’ mandates and probing where they add value (i.e., precisely because the IIRC does not focus on any one specific capital, as other reporting framework providers and standard-setters do).
- Alignment/rationalisation of the existing multiple reporting frameworks and standards would be welcome, notably where it helps avoid potential conflict between standards and reporting frameworks relating to the same capital.
- There is no need to justify the IIRC’s existence. It was established as a binding force and nothing has been heard since its inception to suggest there is anything defective with this intent. Its existence therefore by definition affords it the credibility to take a lead in convening the ongoing dialogue.
- The market is already calling for greater consistency and rationalisation and a reduction in the proliferation of reporting frameworks, guidelines and standards. In that sense, the mandate already exists. The question remains only whether the IIRC is willing to accept it and on what basis.
- If consistency, rationalisation and alignment are important and worth doing, the IIRC should take a lead. If it adds value, people will buy into it. If they don’t see value, they will not. The question also exists as to who else out there is better positioned to do this?
- A mapping of reporting frameworks and standards, together with regulators, to different capitals would be very helpful.

Actions

- The Secretariat is to draft a paper addressing the corporate reporting dialogue process and IIRC’s related potential leadership role, identifying its

IIRC Working Group Meeting of 12/13 February 2013

Minutes

purpose, which key players need to be involved and how the process will operate going forward.

10. Next steps and any other business

The WG Chairman confirmed that the next WG meeting will take place on 17 June 2013 in Frankfurt at a venue to be notified.

11. Close

The WG Chairman closed the meeting at 14:30 on 13 February 2013 (CET).

Minutes

Present

Members/members designate

Ian Ball (Chairman)	IFAC	
Nelmara Arbex	GRI	12.02.2013 only
Michael Bande	Solvay	
Sarah Bostwick	UNGC	
Pedro Faria	CDP	
Jessica Fries	PwC	
Joyce Haboucha	Rockefeller & Co., Inc.	
Eric Hespenheide	Deloitte	
Kiyoshi Ichimura	JICPA	
Dongsoo Kim	Korea Productivity Center	
Rob Lake	PRI	12.02.2013 only
Brendan LeBlanc	Ernst & Young	13.02.2013 only
Robert Massie	New Economics Institute	
David Matthews	KPMG	12.02.2013 only
Peter Proestakes	FASB	
Nick Ridehalgh	BRLF	
Tom Rotherham	Hermes EOS	
Roger Simnett	University of New South Wales	
Neil Stevenson	ACCA	
Erik-Jan Stork	APG Asset Management	(for Claudia Kruse)
Susanne Stormer	Novo Nordisk A/S	
Alan Teixeira	IASB	
Graham Terry	SAICA	
Daniel Tisch	Global Alliance for PR and Comm Mgt	
Kevin Troup	Standard Life	

Observers

Leigh Roberts	SAICA	(TTF member)
Charles Tilley	CIMA	(TTF Chairman)
Stephane Voisin	Crédit Agricole Cheuvreux	(TTF member)

IIRC Directors

Paul Druckman		
Ernst Ligteringen		13.02.2013 only

IIRC Secretariat

Kylie Dumble	Lois Guthrie	Superna Khosla
Jonathan Labrey	Mariko Mishiro	Michael Nugent
Philippe Peuch-Lestrade	Beth Schneider	Andrew Smith
Lucia Velasco		

Minutes

Apologies

Members/members designate

Koushik Chatterjee	Tata
Frank Curtiss	Railpen
Ralf Frank	DVFA
Robert Giglietti	General Electric
Dan Hanson	BlackRock
Gary Kabureck	Xerox
Erika Karp	UBS
Stephen Kibsey	Caisse de Dépôt et Placement du Québec
Alan Knight	SROI Network
Bob Laux	Microsoft Corporation
Steve Maslin	Grant Thornton
Anthony Miller	UNCTAD
Jeanne Ng	CLP Holdings Ltd
Simon Pringle	BDO
Janet Ranganathan	World Resources Institute
Steve Waygood	Aviva Investors
Alan Willis	Independent/CICA
Yuki Yasui	UNEP FI

Observers

Martijn Bos	Eumedion	(TTF member)
Kim Holmstrom	European Commission	
Bess Joffe	Goldman Sachs	
Yoichi Mori	JICPA	(TTF member)
Alexandre Nakamaru	Natura	(TTF member)
Susana Penarrubia	DWS Investment	(TTF member)

Minutes

Item 8 Break-out Session Notes

Group A: Companies (Group leader: Eric Hespenheide)

1. For companies—what more can the IIRC do to demonstrate a compelling business case for <IR> and communicate this to a broad business audience globally?

Launch timing

- December 2013—recommended only providing a general overview of concepts when V1.0 is launched.
- January 2014—hold workshops and go into more detail; timing will be better and people will have a chance to read.

Address business case vs. concepts

- Compelling business case is needed and should be included in Consultation Draft.
- Look at Novo Nordisk's business case (e.g., one voice in report brought clarity, report has become slim-lined, consistency of information).

Vision

- What is IIRC's vision 5-10 years out? Need to lay out and communicate where we see things going in the long term—is <IR> an alternative for future reporting?
- For Framework to be successful, it needs to replace something or have reporting streams merged into it.
 - Should not think that primary report is the printed report.
 - Possibly more work should be done with XBRL.
- Integrated thinking and integrated management are the cornerstone of <IR>; accordingly, need to develop the business case for integrated thinking. Possible messaging is:
 - <IR> is the tail wagging the dog; it is where abstract ideas become real.
 - <IR> makes integrated thinking real rather than theory.
 - Integrated thinking takes years; <IR> can cause leaps.

Messaging

- Simplification.
- Express positive evitable aspect.
- Need to identify what is important rather than what regulators require.
- Need to be clear about whether it is additional reporting.
- Big vision messaging should be using the 6 capitals to get the best out of everyone—inspirational messaging.
- Report communicates how the organization wants to do business.
- Can you manage a company in the 21st century without <IR>?
 - <IR> provides better way for boards to understand the organization.
 - Risk to the organization if it doesn't implement <IR>; opportunity if the organization leads by using <IR>.

Minutes

2. *Where, within businesses, should the IIRC be targeting its efforts—C-Suite, financial controllers, internal auditors, sustainability officers?*

- Need to recognize that will vary by country
 - In Korea and other Asian countries, it is more important to connect at the ground level than C-suite; market-driven strategy does not work in Korea.
 - In South Africa, only integrated reports are printed; all other reports are on line.
- BODs, CEOs, CFOs, ICDs (NACD), FEI, WBCSD, ICC, IFAC (PAIB), FEE, industry associations.

3. *In what ways should the IIRC be encouraging other stakeholders to put pressure on businesses to consider implementing <IR>—investors, accounting profession, NGOs, etc.?*

- Start discussions with other bodies to work to a solution to develop a vision
 - The IIRC cannot accomplish it with the IASB if the IASB members are not on board.
- Reinforce the business case that being part of the collaboration brings knowledge sharing; however, this is only one of a number of convening powers. Therefore need to identify ways for the IIRC to provide value.
- Is the IIRC doing enough to make a difference? The Council needs to bring everyone together.
- The IIRC needs to find a way to drive <IR>; for example, companies believe that investors use the DJSI, so that drives continuous reporting.

Minutes

Item 8 Break-out Session Notes

Group B: Investors (Group leader: Roger Simnett)

Questions considered:

1. What compelling arguments for <IR> will elicit greater investor buy in?
2. What are the key fora for communicating to institutional investors?
3. What more can the IIRC do to ensure <IR> is supported by more major and influential investors?

1. What compelling arguments for <IR> will elicit greater investor buy in?

- <IR> could give the appropriate window on the level of risk being taken on by businesses e.g. what is the social licence to operate etc. Currently risks aren't consistently analysed in the context of creating value in perpetuity.

Prompts management to do scenario planning and the platform to be asked about it by investors.

- Important to note that not all investors get to attend roadshows or have access to management - <IR> gets relevant information on business model, future outlook etc to these groups.
- Means to understand how businesses are planning longer term.
- Prompts good business which is in the interest of the investor – if they have to report on future outlook, means they are planning for it; helps the company know more the known unknowns.
- For investors, good <IR> enables them to see what some businesses are doing/reporting on and gives them the material to ask others in the sector who do not talk about the same matters.
- Supports the different language of investor-company relationship and to help the investor to model future cash flows with the future outlook information.
- <IR> provides platform to discuss not only risks but future opportunities for value creation – relevant again for modelling of cash flows.
- The challenge often faced by investors is modelling new operations – should be eased with better business model reporting.
- Vital for investors to understand 'the sustainability of the business model'.

2. What are the key fora for communicating to institutional investors?

- Think about the national associations of pension funds (i.e., not just individual funds).
- Proxy groups who influence policies in businesses.
- ICCR, Interfaith Centre on Corporate Responsibility has influence and is well respected.
- Think about pension advisers (Mercers, Frank Russell) and credit rating agencies.

Minutes

3. What more can the IIRC do to ensure <IR> is supported by more major and influential investors?

- There is a need for real, practical examples that can bring the benefits of <IR> for the investor, to life – they see what they could get.
- Showcase the PP business' experience and what they are doing.
- Give a signal of <IR> - one question that is consistently asked (by IN and ITG members) that prompts so we begin to see momentum in the direction of <IR>.
- Timing of release of <IR> - if it's not by capital market date, then impact is lost. Investors will take positions based on information available at that date.

Minutes

Item 8 Break-out Session Notes

Group C: Policy makers (Group leader: Neil Stevenson)

In order to answer this question we wanted to consider if the end game for <IR> is to fall within regulatory frameworks/legislation. We felt that this was not a short-term aim, especially while the framework is being evolved, but it will be inevitable at some point – either it will facilitate greater adoption, or bring the laggards into line, or it will be forced by regulators who wish for themselves to bring <IR> into their ambit. An example used to illustrate this is in relation to International Accounting and Auditing Standards. These standards were in development long before support was given by regulatory support. We also don't want <IR> to be legislated before it is ready, as once in law it is very difficult to change.

1. What should the IIRC's key asks be of policymakers and regulators so that the conditions can be put in place for widespread implementation of <IR>

- The key is to get policymakers/regulators to understand that <IR> will help drive better managed businesses. Right now it should be about asking, educating and informing the policymakers/regulators. IIRC should facilitate relationships – get the right people in the room – to create understanding on all sides. We should ask policy makers and regulators to acknowledge that it is an important topic and that they are happy for the IIRC to go ahead and provide a 'soft' endorsement. This can drive up participation.
- We agreed that assurance will come sooner than regulation – and this will be essential if integrated reports are to have credibility in the medium term.
- Stock Exchange requirements may also help to increase adoption – this is helping with credibility in South Africa. Stock Exchanges can also implement requirements more quickly than government/regulators to drive change.
- IIRC should engage more closely with parties such as ministries of finance and treasuries.
- We feel credibility with this audience will be made by investors saying they want and value this form of reporting.

2. What are the key regulatory barriers that need to be addressed before implementation becomes mainstream?

- We need to avoid regulators from making sudden knee-jerk decisions that would block <IR> out. This will be addressed through continued education and increasing awareness so when another crisis comes up and regulators are looking for a solution, <IR> is at the forefront of their minds and solutions.
- Companies like to have choice as to the matrix they produce, rather than an enforced set. But there is a risk that <IR> will get turned into a checklist (e.g. by regulators) and this barrier will need to be managed.
- <IR> encourages companies to tell their own story and this is likely to be at odds with regulatory reporting requirements/compliance. This could result in a dual system. We should expect and encourage this (as it's unlikely that regulators will remove legislative requirements). It was felt that

Minutes

the market/public will decide over time which form of reporting is more useful to their needs and this will influence regulators.

- We noted that there is a quid pro quo in this regard. For <IR> to be supported by regulators, it will need to have integrity with companies pursuing the public interest and presenting a balanced picture with a genuine balance between the good and negative aspects of their performance and impacts.

3. To what extent can policy makers and regulators help to support <IR> in the context of the initiative being a market-led initiative?

- They can show the market they understand the drivers and encourage innovation within the regulatory system.
- They can undertake not to 'block' adoption of <IR>. In particular they can provide a safe harbour for specific aspects of <IR> such as future outlook.
- Companies adopting <IR> and IIRC itself should emphasise the wider public interest and ensure this is placed at the heart of their business and their disclosure. This will help regulators and policymakers to support the overall initiative.