

## IIRC Working Group Meeting of 17 June 2013

### Minutes

---

**Date:** 17 June 2013  
**Time:** 10:00-16:05 (CEST)  
**Venue:** DVFA Center, Mainzer Landstrasse 37-39, 60329 Frankfurt-am-Main, Germany  
**Attendance:** See attached list  
**Chairman:** Ian Ball  
**Minutes:** Andrew Smith

<b><u>Agenda item</u></b>	<b><u>Paper</u></b>
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. Illustrative examples of good <IR> practice	Item 4
5. Technical development	Item 5
6. Policy and regulatory landscape	Item 6
7. Any other business	
8. Next meeting	
9. Close	

### **1. Welcome, introduction and objectives for the meeting**

The Working Group ('WG') was welcomed to Frankfurt by Ralf Frank, on behalf of DVFA.

The WG Chairman thanked DVFA for hosting the meeting and 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 12/13 February 2013 were approved without revision.

*Matters arising*

None.

### **3. CEO briefing**

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

The CEO noted that:

- The coming 2-3 months will see a particular focus on the corporate reporting dialogue.

## IIRC Working Group Meeting of 17 June 2013

### Minutes

---

- Council members have been invited to the first day of the WG meeting taking place in London on 22/23 October 2013, to participate in discussion relating to the draft of the Framework for issue (subject to subsequent Council endorsement) in December 2013.
- The impression gained through extensive interaction with stakeholders to date in the consultation period is that they are overwhelmingly positive about the Consultation Draft of the Framework. Four main issues have been recurrently raised:
  - The need for greater clarity on the issue of "one report". There is uncertainty over how many reports are now expected of reporters.
  - The question of whether providers of financial capital are the right primary audience.
  - Interest in assurance is increasingly prevalent.
  - There are concerns over the forward-looking dimension of <IR> and possible related implications for directors' liability and competitiveness issues.
- The focus of the Pilot Programme going forward will shift to how integrated reports are being prepared, notably by reference to the Framework.
- With reference to the <IR> Adoption Curve (ref. Rogers' Adoption Curve):
  - <IR> will, with release of the Framework, have crossed "the chasm", in the sense that Pilot Programme participants represent "innovators" and other organizations doing <IR> represent "early adopters".
  - We have been through a "feasibility" phase (2010-2011), to determine whether <IR> was a viable concept, with market support for the creation of the IIRC and development of the Framework.
  - We are currently in the "creation" phase, in terms of creating both the Framework and awareness of and support for <IR> globally.
  - The next, "breakthrough" phase will involve market testing, further development of <IR> and focus on reporters beyond "innovators" to "early adopters", together with focus on policy and regulatory action required to enable business adoption of <IR>.
  - The subsequent phase in the journey is "majority adoption", comprising early and late majority adoption, regulatory alignment and visible evidence of harmonization.
- The IIRC's funding comes from three sources: ca. GBP 800k p.a. from Pilot Programme contributions, ca. GBP 800k p.a. from voluntary contributions (mostly, though not exclusively, from Council members) and GBP 1.3m from secondments (each 100% FTE being monetized at GBP 100k). The current forecast (i.e., as at 17 June 2013) is that the IIRC will have accumulated a surplus of GBP 662k at the end of Q3/2014 (i.e., the anticipated end of the current, "transitional" phase of activity). However, this does not include unknown variable costs associated with the anticipated hiring of two (and possibly three) senior directors during the intervening period. Given uncertainties in relation to the transition to a new funding model post-2014, a buffer might also be necessary to cover operating costs (currently estimated at GBP 138k per month as at September 2014 before unknown

## IIRC Working Group Meeting of 17 June 2013

### Minutes

---

variables) between conclusion of the transitional phase and implementation of sustainable funding mechanisms.

- The WG will be briefed on long-term institutional arrangements at the WG meeting in October 2013.

#### Key points of information/discussion

Points raised/views expressed by individual meeting participants during the course of discussion included:

- In response to a query on the representative nature of the Institutional Arrangements Task Force ('IATF') and specifically the lack of a representative of the investor community, Paul Druckman indicated that a conscious decision was taken not to constitute the IATF on a representative basis, but to include a small number of highly respected individuals who would offer an independent perspective.

#### Actions

N.A.

## 4. Illustrative examples of good <IR> practice

Introducing the session Lisa French referenced the growing demand for a common understanding of what an integrated report actually looks like in practice and the corresponding interest to explore whether and to what extent the emerging practice database should evolve over time to become a leading practice database.

Initial short overviews of illustrative examples of integrated reports were provided by Ralf Frank (DSM) and Graham Terry (Royal Bafokeng Platinum).

#### Key points of information/discussion

Points raised/views expressed by individual meeting participants during the course of discussion included:

- The need for benchmarking.
- Materiality is critical to the quality of disclosure and is viewed and defined differently by different parties.
- An integrated report articulates the key points of the reporting organization's strategy, to which any key metrics and information relating to use, appreciation and/or depreciation of the capitals must align. This is good connectivity. It is important to be selective about – and limit the number of – indicators used. Above all, good integrated reports tell a story, rather than provide data on what might not necessarily be material issues.
- It is important for reports to address not only "upside", but also "downside", challenges and "what went wrong". Similarly, related risks should be articulated, together with the means by which they are being mitigated and managed.
- A point to consider is whether organizations should report "by" the capitals, or whether the capitals underpin the report, but do not necessarily provide the frame of reference for reporting. This issue forms the focus of a specific request for feedback in the Consultation Draft.

## **IIRC Working Group Meeting of 17 June 2013**

### **Minutes**

---

- It is important to tell a story, but without standard indicators, each reporter can tell its own story differently. Industry groups/bodies (i.e., rather than the IIRC) should be encouraged to focus on developing common indicators, which would greatly strengthen comparability.
- The ability to rate what is or isn't an integrated report implies a set of standards for integrated reports. The IIRC should therefore exercise caution in getting too directly involved in such rating exercises. In this respect, while the IIRC itself might not wish to establish any kind of reporting awards, it could nonetheless establish/have an input to criteria that other award providers might apply, as a means of ensuring the right things are rewarded.
- The conciseness of an integrated report is a key issue, but a qualitative concept. It cannot be defined by reference to any specific range in terms of number of pages. It is far more important to ensure that a report is put together in such a way that it is material, relevant and cogently tells a meaningful story, focusing on the key issues that occupy the Board's time and collective mind, striking a good balance between brevity and clarity.
- It is counter-productive to quantify the minimum number of characteristics contained in the Framework that should be captured in an integrated report for it to feature in a leading practice database. Integrated reporting is a journey and innovation should not be discouraged.
- As a means to strengthen reliability and completeness (itself very linked to materiality), an integrated report could contain a description of the organization's internal controls environment relating to data included in the report, together with an indication of the frequency with which data is collected and used.
- Ultimately, definitive comfort on an integrated report can only be provided through independent, third party assurance. In principle, assurance can focus on: (a) data provided; or (b) the process by which data is produced.
- In terms of "self-nominated" integrated reports that are not subject to independent, third party assurance (which in any event will be difficult to do, absent appropriate standards serving as the basis for such assurance), a statement by executive management to the effect that the report is "free from material mis-statement" would go a considerable way to bolstering the report's reliability.

#### Actions

N.A.

## **5. Technical development**

Introducing the session Beth Schneider noted that there will be a hiatus (probably at least until 2015) in terms of developing any further iteration of the Framework following its launch in December 2013, as reporters start using it. This offers a window of opportunity in 2014 in which to focus on other aspects of technical development. The purpose of this session was therefore to identify such possible areas of focus, by way of input to the ongoing process to determine priorities.

## **IIRC Working Group Meeting of 17 June 2013**

### **Minutes**

---

#### Key points of information/discussion

Points raised/views expressed by individual meeting participants during the course of discussion included:

- While the term of the Technical Task Force ('TTF') is currently due to end with the issuance of the Framework, it might be appropriate for it to continue as other technical topics are dealt with in 2014.
- It is important for the TTF to focus on a few key items (in addition to "business as usual"), the primary criterion relating to which should be guidance needed by users, including direction and clarity of expectation relating to <IR> content, which users do not want from consultants.

Specific areas of potential focus for the IIRC as highlighted by break-out groups were:

- The top three technical issues to focus on in 2014 should be based on issues identified in the responses to the Consultation Draft.
- Insights as to points of change: (a) evidence of <IR> flowing through board reporting; (b) evidence of investors changing their models; and (c) evidence of change in communications to stakeholders. External experts might be used for determining leading practices (ref. leading practice database discussion under item 4), with some limited TTF involvement, for the purposes of updating the database.
- Better understanding of the differences between regulatory jurisdictions and local impediments to the adoption of <IR>. This could include a focus on management commentary and pathways to adoption.
- Better linkage of various reporting initiatives and aligned approaches to key jurisdictions, designed to help them focus on how <IR> can address their requirements.
- Development of suitable training materials, as it will be instrumental to the success of <IR>.
- Reporting on outcomes.
- A better understanding of value in the broader stakeholder context.
- A better understanding of connectivity between financial and non-financial data.
- Guidance for SMEs.
- It is too early to focus on XBRL, assurance, accreditation and model listings requirements. The process to meet assurance needs relating to <IR> should in any event be led by organizations other than the IIRC.

#### Actions

N.A.

## IIRC Working Group Meeting of 17 June 2013

### Minutes

---

#### 6. Policy and regulatory landscape

Jonathan Labrey introduced the session by highlighting some points relating to the IIRC's policy and engagement strategy:

- Focus until now has been on developing the Framework, but a greater focus on policy makers is required going forward.
- The premise that <IR> is "market-led" needs to be tested and validated.
- The IIRC does not call for mandatory adoption of the Framework, but to create awareness of <IR>, demonstrate demand for it and create conditions in which it can flourish.
- <IR> can provide a solution to some of the challenges that policy-makers are facing.

#### Key points of information/discussion

Points raised/views expressed by individual meeting participants during the course of discussion included:

##### G20

- G20 is promoting sustainable economic growth and transparency as a likely focus of the agenda during the Australian presidency in 2014, both of which provide a suitable "hook" on which to hang <IR>.
- Compared to previous ideas to get <IR> on the G20 agenda, the landscape is very different, as <IR> is now seen as more legitimate, credible and global in application. Tangible evidence of the concept also exists in the form of the Framework.
- Indications are that, if provided by early November 2013 with a policy document and evidence of take-up and market needs, the Australian Treasury would guarantee to seek to promote <IR> amongst G20 colleagues and relevant sherpas setting the agenda for the Australian G20 meeting in Brisbane in 2014.
- A supportive G20 statement will provide a powerful stimulus to other organizations in the policy-making/regulatory sphere.
- A real opportunity to get onto the G20 agenda exists with Australia's presidency and delaying until 2015 (Turkey presidency) or 2016 (possibly China presidency) might mean the opportunity is lost. The IIRC will not be asking G20 to implement, but to indicate support, which in turn will stimulate policy-makers and regulators at local level to create environments in which <IR> can flourish.
- The "ask" of policy makers should be clear. <IR> remains a market-led initiative. The key message is that policy-makers and regulators should "allow", not enforce, the adoption of <IR>, accepting the need for flexibility, based on culture and national/regional imperatives.
- Presenting a united, collaborative front with other parties in relation to the advancement of corporate reporting will strengthen the message when engaging with policy-makers.

## IIRC Working Group Meeting of 17 June 2013

### Minutes

---

#### *Stock exchanges*

- A dual approach is advisable, whereby the IIRC engages both: (a) with the World Federation of Exchanges ('WFE'); and (b) bilaterally with individual exchanges, or with regional groupings of exchanges.
- As with the G20, a coordinated, collaborative approach with other parties offers the best path to success.
- The IIRC should be conscious of the different role of exchanges, which might be more limited in some jurisdictions (e.g. Korea and China), where they are perceived more as implementation bodies for government policy, rather than architects of policy themselves.
- The IIRC should be mindful that exchanges are competitive.

#### *Regulators*

- It is worth emphasizing that <IR> is not about the need for "yet another" report, but a means by which to reduce "red tape" and the number of reports.
- It would be helpful to consider and understand the regulatory landscape, identify where power and authority lie and map transitional requirements in each key jurisdiction, to clarify where <IR> sits and provide evidence that it is being used.
- It is important to remember that <IR> is about more than the integration of financial and sustainability/environmental, social and governance ('ESG') reporting. Intellectual capital is a fundamental aspect.
- IIRC should continue its dialogue with credit rating agencies.

#### Recommendations

- The Working Group expressed overwhelming support for the IIRC's drive to get onto the G20 agenda for 2014, provided there was no compromise in the Framework's quality or the process to approve its release.

#### Actions

N.A.

## **7. Any other business**

No points were raised.

## **8. Next meeting**

The WG Chairman confirmed that the next WG meeting will take place on 22/23 October 2013 in London at a venue to be notified.

## **9. Close**

The WG Chairman closed the meeting at 16:05 (CEST).

## IIRC Working Group Meeting of 17 June 2013

### Attendance

---

#### **Present**

##### ***Members/members designate***

Ian Ball (Chairman)	IFAC
Jessica Fries (Deputy Chairman)	PwC/A4S
Michael Bande	Solvay
Sarah Bostwick	UNGC
Frank Curtiss	Railpen
Pedro Faria	CDP/CDSB
Ralf Frank	DVFA/EFFAS
Joyce Haboucha	Rockefeller Financial
Eric Hespenheide	Deloitte
Kiyoshi Ichimura	JICPA
Rodney Irwin	WBCSD
Dongsoo Kim	Korea Productivity Center
Claudia Kruse	APG Asset Management
Brendan LeBlanc	Ernst & Young
Jeanne Ng	CLP
Michael Poly	State Street Global Advisors
Simon Pringle	BDO
Nick Ridehalgh	BRLF
Tom Rotherham	Hermes EOS
Roger Simnett	University of New South Wales
Neil Stevenson	ACCA
Susanne Stormer	Novo Nordisk
Takayuki Sumita	WICI
Alan Teixeira	IASB
Graham Terry	SAICA
Yuki Yasui	UNEP-FI

#### ***Observers***

Yoichi Mori	JICPA	TTF
Leigh Roberts	SAICA	TTF
Kristen Sullivan	Deloitte	
Stephane Voisin	Crédit Agricole Cheuvreux	TTF
Jose Wanderley	Natura	TTF

#### ***IIRC Directors***

Paul Druckman	CEO
Ernst Ligteringen	GRI

#### ***IIRC Secretariat***

Lisa French	Superna Khosla	Jonathan Labrey
Mariko Mishiro	Michael Nugent	Beth Schneider
Andrew Smith		



## IIRC Working Group Meeting of 17 June 2013

### Attendance

---

#### Apologies

##### *Members/members designate*

Nelmara Arbex	GRI
James Gifford	PRI
Robert Giglietti	General Electric
Gary Kabureck	IASB
Erika Karp	UBS
Stephen Kibsey	Caisse de Dépôt et Placement du Québec
Alan Knight	SROI Network
Bob Laux	Microsoft
Steve Maslin	Grant Thornton
Bob Massie	New Economics Institute
David Matthews	KPMG
Anthony Miller	UNCTAD
Peter Proestakes	FASB
Janet Ranganathan	World Resources Institute
Daniel Tisch	Global Alliance for PR and Comm Mgt
Kevin Troup	Standard Life
Steve Waygood	Aviva Investors
Alan Willis	Independent/CICA

#### *Observers*

Martijn Bos	Eumedion	TTF
Kim Holmstrom	European Commission	
Bess Joffe	Goldman Sachs	
Susana Penarrubia	Deutsche Bank	TTF
Charles Tilley	CIMA	TTF Chair