

IIRC Working Group Meeting of 16 July 2014

Minutes

Date: 16 July 2014
Time: 10:00-16:55 (BST)
Venue: Aviva, 1 Poultry, London, EC2R 8EJ, England
Attendance: See attached list
Chairman: Ian Ball
Minutes: Andrew Smith

Agenda

Item	Paper
1. Welcome, introduction and objectives for the meeting	
2. Minutes of previous meeting and matters arising	Item 2
3. Future institutional arrangements	Item 3
4. CEO briefing	Item 4
5. Breakout sessions	
a) Leading <IR> practice	Item 5a
b) <IR> Business Network	Item 5b
c) Corporate reporting landscape	Item 5c

6. Any other business

Close

1. Welcome, introduction and objectives for the meeting

- The Working Group ('WG') was welcomed to Aviva by Abigail Herron (Head of Engagement – Global Responsible Investment).
- The WG Chairman:
 - Thanked Aviva for hosting the meeting.
 - Welcomed all participants, especially those attending as new members or for the first time.
 - Summarised the primary focus of the meeting as being on practical aspects of IIRC strategy, namely: (i) leading <IR> practice; (ii) the <IR> Business Network; and (iii) the corporate reporting landscape.

2. Minutes of previous meeting and matters arising

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The minutes of the WG meeting on 26 February 2014 were approved without revision.

Matters arising

N.A.

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3. Future institutional arrangements

Introducing the session the WG Chairman noted that:

- As indicated at the previous WG meeting, the question of institutional reform has been on the IIRC agenda more or less since the IIRC was formed and is likely to remain an ongoing key topic of focus.
- Paper 3 issued ahead of the WG meeting outlines the parameters for finalization of details for the IIRC's future institutional arrangements, including development of a new constitution ('the Constitution').

Comments and suggestions

The following represents a summary of points raised by individual meeting participants and related discussion:

- There has been good progress on the process to develop future institutional arrangements and the proposal as presented in paper 4 has been well thought out.
- It might be worth considering establishing a number of standing and ad hoc advisory groups and task forces to coincide with the envisaged move to new institutional arrangements.
- The role of the Governance Committee should include advising on matters relating to Council members' contributions, to ensure that the risk of entities paying for the exercise of influence is appropriately managed.
- The IIRC should consider incorporating in the Constitution a commitment to develop its own integrated report.
- The Constitution's headings should cover the role of Deputy Chairmen, as well as Chairmen of the various bodies.
- Clarification would be useful on whether the prohibition on Council members from sitting on the Board means: (a) any individual who represents an organization on the Council; or (b) anyone associated with any such organization.

In response to queries from WG participants, the following points were clarified:

- There will be an expectation of meaningful contributions from Council members. Financial contributions are important, but there will be flexibility on the nature of contributions, which should be considered holistically for each contributing entity.
- Reference to the Technical Review Body is to the body previously described as the Technical Committee.

Actions

- WG members are to provide any additional comments on proposed future institutional arrangements to the Secretariat, for the attention of Andrew Smith.

4. CEO briefing

Introducing the session, the CEO noted that the momentum relating to <IR> continues to be strong and identified a number of developments since paper 4 was issued ahead of the meeting, as summarised hereafter.

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Comments and suggestions

The following represents a summary of developments identified by the CEO, points raised by individual meeting participants and related discussion:

Framework translations

- In response to a query, it was clarified that no German language translation of the Framework was prepared, because organizations in the German market indicated that there had been no great demand for one (i.e., given the level of fluency in English) and its preparation would not be the best use of resources.

G20/B20

- There have been positive developments in terms of getting <IR> onto the agenda for B20 side meetings taking place in Australia. The B20 Panel of the Big 6 firms produced a report on how financial reporting could contribute towards financial stability.¹ One of its three recommendations is to encourage corporate reporting innovations and initiatives to complement traditional financial reporting. The report expressly references integrated reporting as being particularly relevant in this respect. The hope is for a strong secondary recommendation from the B20 reflecting the fact.
- In response to a concern raised about the positioning of <IR> as an infrastructural issue (i.e., when the reality is that it is designed to motivate changes in company and investor behaviour), it was acknowledged that, while infrastructure is not the focus of <IR>, <IR> is proving to be a tool which may enhance thinking and decision making in this area. The infrastructure link is also important in relation to the public sector.

<IR> in the public sector

- The IIRC and CIPFA have collaborated in getting a Public Sector Pioneer Network for <IR> off the ground. The aim is to launch the Pioneer Network formally once a core group of pioneers has been identified.

Corporate Reporting Dialogue ('CRD')

- There is a great deal of interest and support for the CRD initiative. As a note of warning, there is a growing perception that the CRD is a standalone entity or organization, which it is in no way intended to be.

UK

- The Financial Reporting Council issued a press release stating that the UK Strategy Report is consistent with <IR>.
- At the request of the 100 Group of CFOs, the IIRC has agreed to review reports of three leading companies and do a gap analysis to the <IR> Framework. The first completed review, for United Utilities, came out very favourably. The key point in this exercise is that evidence of <IR> implementation at national level is a real fillip for global uptake.

USA

- In response to a query raised about the status of <IR> in the USA, the CEO indicated that it is a tough market and the IIRC is not as well engaged with key institutions, such as the Treasury and the Securities and Exchange Commission, as it would like to be. It does enjoy good relations with a

¹ [Unlocking Investment in Infrastructure: Is current accounting and reporting a barrier? \(June 2014\)](#)

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number of leading bodies, such as AICPA and the Institute of Internal Auditors ('IIA'), both of which do a lot of good work in terms of advocacy and other activities relating to <IR>. Advocacy and connections are growing rapidly as the tide changes in the USA.

- The IIRC is not looking to push directly in the USA, but rather to leverage the presence and activities of other established bodies. The IIRC is also looking at means by which to strengthen relationships with other influential bodies.
- The IIRC enjoys a good working relationship with SASB, which a recent meeting with SASB CEO Jean Rogers had only served to reinforce. SASB has agreed to adopt the IIRC's definition of integrated reporting. It is also actively involved in the CRD.

India

- The IIRC is expecting a surge in interest in <IR> in India with the impending launch of the local <IR> lab, which is coordinated by the Confederation of Indian Industry and chaired by Koushik Chatterjee (IIRC Council member; Group Executive Director (Finance and Corporate) - Tata Steel).

South Africa

- The Integrated Reporting Committee South Africa, comprising the Johannesburg Stock Exchange, South African Institute of Chartered Accountants and other leading entities, has endorsed the Framework as guidance on how to do integrated reporting.

Australia

- A Superannuation Funds network has been launched in Australia. Erik Breen, the newly appointed Chair of the International Corporate Governance Network ('ICGN') is very supportive of this initiative, which is expected to expand to include pension funds on an international basis.

Industry sector focus

- The industry sector programme represents a targeted marketing initiative, offering a means by which to promote <IR> on a one-to-many basis, using industry-specific business cases and collateral.
- The Energy sector campaign extends beyond energy minerals (i.e., oil and gas) to include the wider extractive sector.
- The industry sector focus might be helpful in identifying suitable ways to penetrate the US market, in the sense that, for example, the Healthcare and Information Technology sectors are very strong there, but less so elsewhere, meaning that the USA might be a good starting point for related initiatives.

Assurance on <IR>

- In response to a query, the CEO indicated that a technical paper targeted at auditors and entitled *Assurance on <IR> – a standard setting perspective* had been prepared. This paper - together with a related, but shorter and more user-friendly summary paper on implementation challenges written in non-technical language - is scheduled for release at the end of July 2014.²

² Upon release, the title of the technical paper was '*Assurance on <IR>: An Exploration of Issues*' and the title of the related shorter paper was '*Assurance on <IR>: An Introduction to the Discussion*'.

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- The CEO further indicated that it is not the IIRC's role to provide answers on assurance, but to stimulate discussion and feedback in a process to that end. WG members are encouraged to support related awareness-raising activities globally, including media coverage and round tables.
- The IAASB was consulted and involved in developing the assurance technical paper.
- The IAASB has not been invited to participate in the CRD, because its focus is on standards of assurance, not reporting. Any such invitation will be made based on a collective decision of the CRD members.

<IR> and Audit Committees

- At an Audit Committee Leadership Summit in June 2014 it was clear that audit committee chairs believe that <IR> is a good thing. Opinions were divided on whether it falls in the remit of the audit committee. Broadly speaking, audit committee chairs from a number of leading European companies felt it did, while those from US companies felt it did not.

Sustainability reporters

- Sustainability reporters are generally more likely to adopt <IR> than other organizations. The IIRC is developing tailored collateral for sustainability reporters in the context of its 'sustainability reporters campaign', explaining why <IR> is important to them.

Holding companies

- It might be useful to consider the challenges faced by holding companies in adopting <IR> in the next phase of the Framework's development.

Actions

- WG members are to notify the Secretariat, for the attention of Andrew Smith, of any entities they consider suitable as prospective participants in the <IR> Public Sector Pioneer Network (such as state-owned enterprises; government departments; municipalities).

5. Breakout sessions

Meeting participants split into three groups, each of which successively took part in each of three break-out sessions.

Leading <IR> practice

Summary of feedback from break-out group sessions

The following represents a collated summary of feedback from the break-out groups as presented in plenary:

- As groups explored the gaps between reporting approaches and investor expectations, there was good alignment in terms of coverage of content elements from the Framework. The groups generally agreed that the case-related disclosures should connect to <IR> concepts such as value creation, the capitals, risk, strategy and business model. Groups also felt it important for business, in the face of uncertainty, to explore and communicate potential future scenarios and identify related assumptions.
- The sessions highlighted – on an indicative basis – significant gaps between what businesses are prepared to provide and what investors seek, notably:
 - i) Degree of specificity

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- Report preparers are not inclined to provide the level of detail and granularity that investors seek, especially in relation to financial implications and a future-oriented view.
- Report preparers are reluctant to disclose too much detail about financial and strategic implications, for fear of losing competitive edge or compromising their own future regulatory or operating context. Investors, on the other hand, have "a special interest in all that report preparers are afraid to provide".

ii) Nature of information

- In situations of uncertainty, report preparers are inclined to favour *qualitative* disclosures. By contrast, investors want to see this narrative backed up by data. That is, investors also seek *quantitative* projections, based on multiple scenarios and well-defined assumptions, to inform their analyses.

iii) Timeframe

- Report preparers tend towards providing fact-based accounts of the current state of play. Investors want more future-oriented information, on the basis that "historical information is useful only to the extent that it frames future prospects".

iv) Format/style

- Report preparers embrace a variety of communication devices including narrative, graphs, tables, diagrams and Q&A. Although investors are also receptive to a range of disclosure approaches, they are generally resistant to a Q&A format on the basis that this introduces the opportunity for bias or "spin".

Comments and suggestions

The following represents a summary of points raised by individual meeting participants in plenary and related discussion:

- In response to a query, it was clarified that output from these breakout sessions will inform further engagement at round tables and other forums. The IIRC has already been asked to use this case study in other forums and will consider developing additional illustrative cases.
- The case study approach is a useful education/outreach tool, one that helps bridge the information gap between businesses and investors. Similar exercises at regional events are likely to strengthen investor engagement with <IR>.

<IR> Business Network

Summary of feedback from break-out group sessions

The following represents a collated summary of feedback from the break-out groups as presented in plenary:

- The <IR> Business Network will facilitate the change from developing to implementing <IR> and derives from business demand.
- The key focus of discussion in the break-out groups related to:
 - Terminology is getting in the way. A re-think (ref., e.g., 'Champions', 'Frontrunners' and 'Expert panel') is required.

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- Is a special small group of 'Champions' the right model?
- What funding models might be applicable?

Comments and suggestions

The following represents a summary of points raised by individual meeting participants in plenary and related discussion:

- An alternative to the 'special' group of 'Champions' might be to focus discussion of priority topics among interested parties with expert input on a demand-driven, case-by-case basis, funded accordingly by those organizations interested in related collaboration. This would be over and above the ongoing programme of engagement and interaction with the broad-based 'Frontrunner' community.

Corporate reporting landscape

Summary of feedback from break-out group sessions

The following represents a collated summary of feedback from the break-out groups as presented in plenary:

- Q1 - Frameworks/standards: What, in your opinion, are the primary frameworks/standards within the Corporate Reporting Landscape?
 - Discussion around the scope in terms of national/international frameworks. Should there be a global landscape and a national landscape? Or both?
 - Discussion around mandatory versus voluntary.
 - Some capitals are well represented and advanced, but others - such as social, human and intellectual capitals - are not covered very well. What frameworks are available that address these capitals?
 - The IIRC needs to be careful that it is not seen to be advising companies to use certain standards.
 - One idea put forward is to have a mechanism for producing a bespoke version of the landscape for any given organization (e.g., on a website) as a good way of making it simpler and more relevant.
- Q2 - The landscape lens: What lens is most effective in demonstrating the connectivity and relationships between the various reporting frameworks and standards (i.e., the capitals, content elements etc.)?
 - Discussion around the need for multiple lenses and the need for the right attributes for the lenses.
 - The capitals are generally seen as important to the extent related reporting meets criteria for materiality.
 - Shared values could be a lens.
 - The regulatory perspective is a prospective lens, in terms of the way that a regulator looks at financial reporting is that it presents the necessary information and does not impose undue costs (ref., benefits/cost lens).
 - Different lenses could be applied, e.g., (a) international; (b) national versus international; and (c) sector-specific.
 - The Corporate Reporting Landscape should not just be about <IR>, but <IR> in the context of the bigger picture

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- Q3 - The target audience: Who is the primary target audience of the Corporate Reporting Landscape and why?
 - There was some consensus that the primary target audience for the Corporate Reporting Landscape is the preparers/reporting organizations, rather than users of the report (i.e., investors). There was also agreement that regulators are an important audience.
 - The 'preparers/reporting organizations' audience can be further broken down (ref., e.g., C-Suite; those responsible for input to the report).
 - The Corporate Reporting Landscape should highlight gaps in reporting coverage from an organizational perspective and so be a catalyst for integrated thinking in the organization.

Comments and suggestions

The following represents a summary of points raised by individual meeting participants in plenary and related discussion:

- It is important to start somewhere on the Corporate Reporting Landscape, perhaps with one core element only, to see how it works.
- It is also important to be realistic in limiting the scope of the Corporate Reporting Landscape, to mitigate the risk of it being out-of-date as soon as it is published, as technical frameworks change all the time.

Actions

- The Secretariat is to adapt the <IR> Business Network model, taking due consideration of input received from WG meeting participants.

6. Any other business

Key points of information/discussion

In response to queries raised, it was clarified that:

- IFAC is leading on the materiality technical project work. An initial output is anticipated for Q1/Q2 2015.
- The Secretariat will look into the most appropriate means of making details of the technical workplan available, which is likely to happen in the context of activities to establish the Technical Review Body.
- The overall focus in terms of technical activity is on building up a body of evidence and examples, not on development of detailed implementation tools and guidance.
- There is general support for continuing the Investor Network as coordinated by Principles for Responsible Investment ('PRI') and it would be good to increase its size, possibly by leveraging existing networks (ref., e.g., ICGN, PRI). Activities for the Investor Network to consider might include ongoing investor review of reports, with suggestions from the investor perspective on how they can be improved.

Actions

- The Secretariat is to consider appropriate means by which to publish details of technical priorities and plans.

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Close

The WG Chairman:

- Thanked participants for their active input.
- Thanked Aviva for hosting the meeting and the IIRC team for preparing it.
- Confirmed that the final WG meeting will take place in Paris on 17 October 2014.
- Closed the meeting at 16:55 (BST).

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Attendance

Present

Members/members designate

Ian	Ball	IFAC	Chairman
Jessica	Fries	A4S	Deputy Chairman
Yoseph	Asmelash	UNCTAD	
Anne-Léonore	Boffi	WBCSD	(for Rodney Irwin)
Martijn	Bos	Eumedion	
Sarah	Bostwick	UNGC	
Bastian	Buck	GRI	
Chun Wee	Chiew	ACCA	
Frank	Curtiss	Railpen	
Davide	Del Canale	Solvay	(for Michel Bande)
Christoph	Dolderer	EnBW	
Hervé	Guez	Natixis Asset Management	
Lois	Guthrie	Zurich Insurance	
Farha-Joyce	Haboucha	Rockefeller Financial	
Doug	Johnston	Ernst & Young	(for Brendan LeBlanc)
Maia	Kutner	CDP	
David	Matthews	KPMG	
David	Maxwell	Grant Thornton	
Jeanne	Ng	CLP	
Mark	O'Sullivan	PwC	(for John Hitchins)
Amy	Pawlicki	WICI	
Susana	Peñarrubia	Deutsche Bank	
Michael	Polya	State Street Global Advisors	
Simon	Pringle	BDO	
Lothar	Rieth	EnBW	
Leigh	Roberts	SAICA	
David	Shammai	APG Asset Management	(for Claudia Kruse)
Elizabeth	Stokes	AkzoNobel	
Kristen	Sullivan	Deloitte	
Alan	Teixeira	IASB	
Daniel	Tisch	Global Alliance for PR & Comm Mgt	
Kevin	Troup	Standard Life	
Kyosuke	Wagai	JICPA	
Alan	Willis	Independent/CPA Canada	
Helene	Winch	PRI	

Observers

Martin	Drew	Grant Thornton
Yoichi	Mori	JICPA

IIRC Directors

Paul	Druckman	CEO
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Attendance

IIRC Team

Mark	Brand
Katharine	Dawson
Lisa	French
Sarah	Grey
Ian	Jameson
Kate	Jefferies
Nick	Landrot
Juliet	Markham
Sara	Nori
Andrew	Smith
Neil	Stevenson
Pippa	Whittaker

Apologies

Members/members designate

Michel	Bande	Solvay	(replaced by alternate)
Ralf	Frank	DVFA/EFFAS	
Dan	Hanson	Jarislowsky Fraser	
John	Hitchins	PwC	(replaced by alternate)
Rodney	Irwin	WBCSD	(replaced by alternate)
Stephen	Kibsey	La Caisse	
Dongsoo	Kim	Korea Productivity Center	
Alan	Knight	SROI Network	
Claudia	Kruse	APG Asset Management	(replaced by alternate)
Brendan	LeBlanc	Ernst & Young	(replaced by alternate)
Stephanie	Maier	Aviva Investors	
Robert	Massie	New Economics Institute	
Peter	Proestakes	FASB	
Janet	Ranganathan	World Resources Institute	
Nick	Ridehalgh	BRLF	
Roger	Simnett	University of New South Wales	
Susanne	Stormer	Novo Nordisk	
Zinga	Venner	World Bank	
José	Wanderley	Natura Cosméticos	
Yuki	Yasui	UNEP-FI	

Observers

Kim	Holmstrom	European Commission
Bess	Joffe	Goldman Sachs
Beth	Schneider	Deloitte