

IIRC Working Group Meeting of 17 October 2014

Minutes

Date: 17 October 2014
Time: 10:05-16:00 (CEST)
Venue: Mazars, 61 Rue Henri Régnault, 92400 Courbevoie, Paris, France
Attendance: See attached list
Chairman: Ian Ball
Minutes: Andrew Smith

Agenda

1. **Welcome, introduction and objectives for the meeting**
2. **Minutes of previous meeting and matters arising** Item 2
3. **CEO briefing** Item 3
4. **Institutional arrangements** Item 4
5. **Breakout sessions**
 - a) Assurance on <IR> Item 5a
 - b) <IR> training and accreditation Item 5b
6. **<IR> brand: Developing the <IR> story** Item 6
7. **Any other business**

Close

1. Welcome, introduction and objectives for the meeting

- The Working Group ('WG') was welcomed to Mazars by Jean-Luc Barlet (Group Chief Compliance Officer).
- The WG Chairman:
 - Thanked Mazars for hosting the meeting.
 - Welcomed all participants, especially those attending for the first time.
 - Summarised the primary focus of the meeting as being on institutional arrangements and aspects of IIRC strategy delivery, namely relating to: (a) assurance on <IR>; (b) training and accreditation; and (c) the <IR> brand.

2. Minutes of previous meeting and matters arising

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The minutes of the WG meeting on 16 July 2014 were approved without revision.

Matters arising

N.A.

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3. CEO briefing

Key points of information/discussion

Pilot Programme ('PP') conference

- The CEO noted that:
 - The PP had concluded with the PP conference in Madrid at the end of September 2014, a key focus of which had been the challenges arising as a consequence of implementation, rather than the challenges arising in getting started. There was also plenty of opportunity for peer-to-peer networking/experience-sharing. Its finishing note was the importance of being "bold, brave and together".
 - Key research was released at the PP conference, viz: (a) research by Black Sun among PP participants on their <IR> journey; (b) research by PwC in the context of the Building Public Trust awards; and (c) findings from an investor survey undertaken by PwC.
 - The 2014 Yearbook is being finalized.
- Meeting participants who had attended the PP conference echoed the CEO's comments on the energy and sense of enthusiasm at the event.

IIRC Website

- The CEO noted that the website is being updated to make it more user-friendly. There will be a new domain name (integratedreporting.org).

Investors

- A WG participant noted that Eumedion issues a letter each year to the institutional investor community in the Netherlands articulating priorities for the coming year. Its most recent letter identifies as the top priority that companies should produce an integrated report in accordance with the International Integrated Reporting Framework ('the Framework').

World Bank conference

- The CEO noted that on 10 October 2014, the World Bank hosted a very successful and well-attended event on <IR> in conjunction with its annual conference. Mark Carney (Governor - Bank of England; Chairman - Financial Stability Board) and Bertrand Badré (Group Chief Financial Officer - World Bank) presented. Mark Carney spoke about the "tragedy of horizons", in terms of the failure by key market actors, including investors, companies and governments, to look beyond the short-term and far enough ahead into the future to address looming challenges (e.g., relating to climate change).

India

- The CEO noted that U.P. Sinha (Chairman - Securities and Exchange Board of India) had made a public statement to the effect that the question is not 'whether' <IR> will be implemented in India, but 'how'. The key point to draw from this very powerful statement is that as a regulator, he does not want to impose <IR>, but is calling on the market and business to advise on how <IR> should be implemented.

<IR> Business Network

- In response to a query, the CEO indicated that after a fairly slow start, the <IR> Business Network is gaining traction and progress is encouraging in terms of commitment. It is unlikely to have as many participants as the PP, but the current expectation is that at least some 70 organizations will

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participate, including a number of organizations that were not PP participants.

USA

- In response to a query, the CEO indicated that there is support for <IR> in the USA, but it is a harder market than most to “crack” and progress is probably a couple of years behind that experienced in other more progressive markets.

Corporate Reporting Dialogue ('CRD')

- The CEO noted that the CRD is picking up momentum, though it is important not to overstate what it can, as a dialogue, realistically achieve in a short space of time. There is a meeting of minds, but also a recognition of the need not to over-commit. In addition to the Corporate Reporting Landscape and Engagement Plan, four additional projects are envisaged during 2015: (a) Materiality Project; (b) Dialogue on Assurance; (c) Dialogue on Technology; and (d) Dialogue with Regulators.
- Views expressed by WG participants included that:
 - A key focus of the CRD should be identifying boundaries, commonalities and overlaps between the various frameworks and standards.
 - The CRD offers an opportunity to manage potential confusion arising when different organizations effectively do the same thing.
 - It is inadvisable to structure the CRD in terms of participants 'representative' of the six capitals, as much reporting cuts across them.

Advisory groups and task forces

- The CEO encouraged WG members to play an active role in advisory groups and task forces to be established by the IIRC, as a means to ensure their continued active and ongoing engagement. These include the possible establishment of an Emerging Issues Task Force, as well as the Technical Review Body envisaged under proposed future institutional arrangements.

Funding

- The CEO noted that the IIRC needs to increase funding levels if it is to realise its ambitions and capitalise on the momentum relating to <IR> that has been created to date.

Actions

- WG members are to provide whatever support they can for lobbying (of ministers and sherpas) through their own networks for the B20 recommendation to the G20 regarding support for a review by the IIRC and IASB in relation to making corporate reporting more conducive to infrastructure and long-term investment, and eliminating or addressing current barriers.
- WG members are to notify the Secretariat of any entities they consider suitable for approach as prospective participants in the <IR> Business Network, industry sector networks and/or <IR> Public Sector Pioneer Network (such as state-owned enterprises, government departments and municipalities).
- WG members are to notify the Secretariat of any prospective funding opportunities or sources for the IIRC that they can identify.

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- WG members are to notify the Secretariat if there are any advisory group/or task forces in which they would like to play a role.

4. Future institutional arrangements

Introducing the session the WG Chairman noted that:

- The draft Charter provided to meeting participants ahead of the meeting reflected concepts and principles that the WG had previously discussed and supported.
- The draft Charter is a work in progress, which will be submitted to the Council for consideration at its meeting on 3 December 2014, with a view to Council sign-off at its first meeting in 2015.

Comments and suggestions

The following represents a summary of points raised by individual meeting participants relating to the draft Charter (references in parentheses are to the version of the draft Charter in Appendix A of paper 4 issued ahead of the meeting):

- Reference to 'value creation' (para. 1.1.a) should specify by whom.
- Care should be exercised to avoid giving any impression that a seat on the IIRC Council can be bought (para. 17.1.b).
- The extent of the Technical Review Body's autonomy (para. 45) needs clarification. It is not advisable to have a body whose decisions, arrived at after due process and lengthy deliberation, can be overturned "on a whim" by the Board. Allowing for Board challenge would, however, be appropriate.
- Drafting of the Charter presents an opportunity, which may not come around again in the near future, to refine terminology relating to individual bodies (e.g., the Technical Review Body) to strengthen <IR> branding.
- The definitions for 'evidence' and 'material technical content' should be reviewed.

Summary

The WG Chairman summarised the position of participants at the meeting as being that the WG was supportive of the approach adopted in the draft Charter.

Actions

- WG members are to provide the Secretariat with any further comments on the draft Charter.

5. Breakout sessions

Meeting participants split into two groups, each of which successively took part in each of two breakout sessions.

Key points of information/discussion

Assurance on <IR>

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

- Innovation is necessary in relation to assurance on <IR>. It would be advisable to keep an open mind and not just fall back on traditional

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assurance models (e.g., as associated with assurance of financial reporting), which may not be effective for <IR>, particularly at this stage of its evolution.

- Investors need to be involved in developing suitable assurance models, but investor views are not homogenous. Investors will look to the auditing profession (or, conceivably, the IIRC) to tell them what is possible.
- Challenges include the risk of pushing for standards too soon and the question of auditors' liability.
- The capacity of the assurance profession to provide credible assurance on <IR> at this stage is open to question.
- The IIRC will review feedback on assurance, which is due by the end of December 2015, and decide how best to proceed from there.

<IR> training and accreditation

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

- It is important to address the training requirements within any corporate organization of the team charged with developing the integrated report, but not to lose sight of the training needs of the C-suite and their advisers. Investors also need to better understand how to use an integrated report.
- The focus of reporter training should be what the Framework is, what is in it and why the organization should be doing <IR>.
- It is vitally important to build a strong body of case studies and practice examples.
- Training should focus on the process to implement <IR>, not the content of an integrated report (which will be different for each individual organization). It should therefore consider organizational issues such as change management programmes, thinking on value creation models and leadership required to implement integrated thinking and reporting.
- Training should be principles-based, not rules-based and focused on desired outcomes.
- It is not possible or practical to produce something that is universally applicable, so the syllabus should effectively represent the minimum standard for <IR> training that is made available in the market.
- The IIRC should consider a web-based approach to ensure greater worldwide consistency.
- Challenges for the IIRC include: (a) the risk that it sees training activities as predominantly commercially driven; and (b) the need to protect its intellectual property rights.
- The IIRC should put development of the syllabus out to tender.

Actions

N.A.

6. <IR> Brand: Developing the <IR> story

Introducing the session, Neil Stevenson indicated that the <IR> brand has progress at its core. This is a simple idea that links the aspirations of the global

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coalition supporting <IR> and the aims of reporters and their investors. It also links to the impact we hope to make through <IR> and supports the idea of evolution in corporate reporting. It resonates at multiple levels: <IR> aims to make progress that has momentum, purpose and impact, in the world generally, as well as in reporting and through dialogue between standards and frameworks.

Summary of breakout group sessions

- WG participants discussed the <IR> brand in groups, to consider the <IR> story in three areas:
 - Progress towards goals of financial stability and sustainable development;
 - Principal benefits to organizations; and
 - Presenting the Framework.
- Overall, the groups concluded that progress will best be achieved through:
 - A long-term outlook;
 - Better allocation of resources; and
 - Decision-making based on long-term value creation.
- Of the other areas identified, some particularly interesting ideas included improved living standards, increased trust and shared value creation.
- The benefits to organizations adopting <IR> were consistent with the principal areas highlighted above:
 - Improved capital allocation decisions
 - Better identification of opportunities and risks
 - Opportunity to rethink the business model for the longer term
 - A longer-term outlook that will drive integrated thinking.
- A group considering the presentation of <IR> suggested the following: '<IR> drives effective change management to result in longer-term organizational resilience and value creation. It achieves this by closing the information gap in communicating with investors and analysts'.

7. Any other business

<IR> for charities

- Roger Simnett introduced an initiative on which he is working to develop guidance for application of the Framework in the charities sector, making the following points:
 - For these purposes, "charity" is defined as a social purpose organization, which would include a number of social enterprise organizations.
 - The initiative must be market-led.
 - The approach as currently envisaged involves: (a) learning lessons from the model being applied to the public sector (ref., the Pioneer Network); (b) a series of roundtables involving charities, to see what is being done and what is needed; and (c) developing a discussion paper, informed by output from the roundtables.
- Working Group members expressed broad support for the initiative.

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- The following represents a summary of points raised by individual meeting participants:
 - PwC has connections to charitable organizations in the UK that may be useful.
 - Further clarity is needed around the scope of the initiative, in particular the type of organization to which it would extend.
 - There is likely to be significant interest in such an initiative from Japan.
 - <IR> for social purpose organizations should focus on outcomes, but should not eclipse or replace the need for good financial reporting. In this sense, <IR> can be the catalyst for better financial reporting.

Korea

The Korean tax authorities will be giving incentives, potentially up to a maximum of USD 50-100 million, to small/medium-sized enterprises that comply with non-financial reporting guidance (i.e., including the Framework).

ICGN Global Governance Principles

Principle 7.5 of the new ICGN Global Governance Principles states that the board should provide an integrated report.

Actions

- Roger Simnett is to coordinate with the Secretariat on the initiative relating to <IR> for charities/social purpose organizations going forward.

Close

The WG Chairman:

- Thanked participants for their active input to the meeting, Mazars for hosting the meeting and the IIRC team for preparing it.
- Placed on record that:
 - It had been an honour and a privilege to chair the WG since its creation.
 - These have been busy years, in which an impressive amount had been achieved.
 - This included most notably development of the Framework, which was an astonishing achievement that stood as a testament to the staff, the WG and the organization as a whole, on which all involved should look back with a great deal of pride.
 - He was grateful for the contribution and support of all those who had been WG members since the WG's inception.
- Closed the meeting at 16:00 (CEST).

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Attendance

Present

Members

Ian	Ball	IFAC	Chairman
Jessica	Fries	A4S	Deputy Chairman
Martijn	Bos	Eumedion	
Sarah	Bostwick	UNGC	
Matt	Chapman	KPMG	(for David Matthews)
Chun Wee	Chiew	ACCA	
Christoph	Dolderer	EnBW	
Ralf	Frank	DVFA/EFFAS	
Hervé	Guez	Natixis Asset Management	
Farha-Joyce	Haboucha	Rockefeller Financial	
Dongsoo	Kim	Korea Productivity Center	
Alan	Knight	SROI Network	
David	Maxwell	Grant Thornton	
Benjamin	Miller	Ernst & Young	(for Brendan LeBlanc)
Mark	O'Sullivan	PwC	
Michael	Polya	State Street Global Advisors	
Simon	Pringle	BDO	
Beth	Schneider	Deloitte	(for Kristen Sullivan)
David	Shammai	APG Asset Management	(for Claudia Kruse)
Roger	Simnett	University of New South Wales	
Alan	Teixeira	IASB	
Zinga	Venner	World Bank	
Kyosuke	Wagai	JICPA	
Alan	Willis	Independent/CPA Canada	

Observers

Yoichi	Mori	JICPA
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IIRC Directors

Paul	Druckman	CEO
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IIRC Team

Nick	Landrot
Sara	Nori
Michael	Nugent
Matthias	Schmidt
Andrew	Smith
Neil	Stevenson

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Apologies

Members

Yoseph	Asmelash	UNCTAD	
Michel	Bande	Solvay	
Bastian	Buck	GRI	
Frank	Curtiss	Railpen	
Lois	Guthrie	Zurich Insurance	
Dan	Hanson	Jarislowsky Fraser	
Rodney	Irwin	WBCSD	
Stephen	Kibsey	La Caisse	
Claudia	Kruse	APG Asset Management	(replaced by alternate)
Maia	Kutner	CDP	
Brendan	LeBlanc	Ernst & Young	(replaced by alternate)
Stephanie	Maier	Aviva Investors	
Robert	Massie	New Economics Institute	
David	Matthews	KPMG	(replaced by alternate)
Jeanne	Ng	CLP	
Amy	Pawlicki	WICI	
Susana	Peñarrubia	Deutsche Bank	
Peter	Proestakes	FASB	
Janet	Ranganathan	World Resources Institute	
Nick	Ridehalgh	BRLF	
Lothar	Rieth	EnBW	
Leigh	Roberts	SAICA	
Elizabeth	Stokes	AkzoNobel	
Susanne	Stormer	Novo Nordisk	
Kristen	Sullivan	Deloitte	(replaced by alternate)
Daniel	Tisch	Global Alliance for PR & Comm Mgt	
Kevin	Troup	Standard Life	
José	Wanderley	Natura Cosméticos	
Helene	Winch	PRI	
Yuki	Yasui	UNEP-FI	

Observers

Kim	Holmstrom	European Commission
Bess	Joffe	TIAA-CREF