

U.S. Framework Implementation Focus Group

March 28, 2017

IFAC Offices New York

Attendees

Mary Adams, Smarter-Companies

Fain McDaniel, KPMG

Bernd Kasemir, Sustainserv

A. J. Kreimer, Temple University

Riva Krut, Praxair (Via Phone)

Mary O'Malley, Prudential Financial (Via Phone)

Paul Parks, AICPA-CIMA

Charles Tilley, AICPA-CIMA

Beth Schneider

Kristen Sullivan, Deloitte

Jeff Thomson, Institute of Management Accountants

Paul DeNicola, PwC

Mike Krzus, BrownFlynn

Elodie Timmermans, EY

Stathis Gould, IFAC

Matthew Waldron, IAASB

Sarah Bostwick, CECF

Michael Nugent, IIRC

Bob Laux, IIRC

Discussion

A lot of the discussion was focused on making <IR> successful in the United States. With respect to the Framework:

Multiple Capitals

- There were numerous discussions by participants that not all capitals are equal for particular companies. For instance, for a coal company Natural Capital may be the most important capital while for a technology company, Intellectual Capital may be the most important capital. Participants indicated that the Framework should be more specific in its reference that not all the capitals are equally important to individual companies.
- There were also comments that the Framework needs to do a better job in explaining Relationship Capital and that its inclusion with Social Capital may not be giving it the focus necessary for this important capital.

Integrated Thinking and Connectivity

- Some commented that they would like to see much more focus on Integrated Thinking in the Framework. These individuals believe there is too much focus on the “Integrated Report” and that Integrated Thinking is much more important in the United States.

Key stakeholders’ needs and interests

- A few individuals commented that they would like to see increased discussion of “externalities” and “internalities” in the Framework.

Materiality and value creation

- There was general consensus that more work is needed in the Framework to define materiality and urged the CRD to continue its efforts to coordinate the definition of materiality in different frameworks.
- There was a small minority of participants that thought it was not possible to define materiality given it is so fact specific to an individual company.

Conciseness

- No specific recommendations were given, but participants believed that Integrated Reports are too long and the Framework should emphasize that that an Integrated Report is not just a combination of various reports such as financial reports and a sustainability report.

Business model – outputs / outcomes

- One individual commented that the business model and outputs/outcomes could be better explained by using a “stock” and “flows” discussion.

Involvement of those charged with governance and identification of the Framework

- There was disagreement with the requirement to provide a statement from those charged with governance per Paragraph 1.20 of the Framework. A number of individuals thought this was problematic from a U.S. standpoint.