

IIRC Framework Panel: Meeting of 27 June 2017

Via teleconference, 12:00 – 14:00 London time

Members/TAs	Erik Breen (Chair), Sarah Bostwick Stromoski David Loweth, Nancy Kamp-Roelands, Rodrigo Morais, Yoichi Mori, Lothar Rieth, Hugh Shields, Roger Simnett, Jason Voss, Zubair Wadee
IIRC	Lisa French, Richard Howitt, Michael Nugent, Liz Prescott
Apologies	Jean-Luc Barlet, PK
Minutes	Liz Prescott

AGENDA	Item
	1. Welcome and attendance
	2. Notes of previous meeting
	3. Feedback summary - Question 1*
	4. Feedback summary - Question 2*
	5. Feedback summary - Question 3*
	6. Feedback summary - Question 5*
	7. Feedback summary - Question 6*
	8. Academic paper
	9. Any other business
	10. Conclusions and next steps

* For each topic, particular points to cover are:

- *Is the summation in the “points to consider” a reasonable starting point for the draft report’s discussion of recurrent themes?*
- *Are aspects of this topic likely to be high on our list of priorities for further work – if so, which aspects?*
- *For topics/aspects that are likely to become priority projects:*
 - *What are the headline issues to be addressed?*
 - *What type of output should we be aiming for*

1. Welcome and objectives

The Chair welcomed Panel members and duly noted attendees.

The Chair also acknowledged the time commitments of Panel members with a number of Framework Panel meetings spread over June and July 2017 while feedback from the Implementation Review was being considered.

2. Notes of previous meeting and matters arising

The notes of the previous meeting were acknowledged and there were no matters arising or changes required.

3. Feedback Summary for Question 1: Multiple capitals

The Chair then moved to Item 3 which was introduced by the IIRC Technical Team, who noted the overall support for the concept of the capitals, and that some quick wins are possible from potential FAQ's on the capitals to address the following points:

- (a) Only material capitals need be reported on or even mentioned at all
- (b) Reports can use whatever terminology suits the organization. This applies to the term "capitals" itself and also to the six categories of capitals identified in the Framework (although some respondents noted that use of the Framework's terminology would improve comparability); and
- (c) The capitals need only be used as a completeness check and should not be over-emphasised, in particular, it is not necessary (and is often sub-optimal) to structure reports according to the capitals.

Many respondents mentioned it would be desirable for the IIRC to collaborate with others in developing suitable metrics, while the response to others asking for additional guidance on the capitals might be to update and reissue the background paper on the capitals.

The following comments were made by the panel:

- The summary of points was good and reflected the areas where companies are struggling. If materials are updated these should be kept in one place.
- In relation to metrics, it was noted that assurance providers were also looking for further guidance as they needed to consider 2 frameworks when undertaking their work, and they wanted pragmatic guidance, possibly from the CRD, in this area. Nothing new should be created but use of existing frameworks and metrics could be explored.
- There was general agreement from the Panel that the Framework should be kept as is and introduce practice statements that would further expound on the Framework and give clear examples around its implementation. The outputs should be high in quality but small in number, and kept as simple as possible.
- The <IR> Examples Database was acknowledged as a resource but can be a bit "polluted" with examples that may not be the best available. To demonstrate the best examples, perhaps a review of the database is necessary.
- There was opposition to reopening the background paper.
- The Framework is a reporting Framework and should be kept at the principles level. The IIRC should not be developing metrics. Any metrics needed to be based on how an individual company was run and metrics should be selected as appropriate to the individual organisation.

- Measures of KPIs for the capitals were needed but this was not the work of the IIRC. Areas of human capital was one where the IIRC might do some work in identifying relevant metrics.
- Drawing on the previous experience of the panel developing an implementation guide was considered so the Framework can remain unchanged and guidance can be issued through an implementation guide.

The Chair summarised the discussion around feedback on Question 1 and noted the following:

- There should be a one-stop shop for all guidance and the IIRC should be cautious around issuing new materials
- There should be metrics to measure performance but these were not the role of the IIRC. The IIRC might point to metrics available and perhaps point out areas where there may be gaps, such as in human capital metrics.
- The Framework should stay at a high level and not drill down beyond the current principles.

4. Feedback Summary for Question 2: Connectivity and Integrated Thinking

The IIRC Technical Team provided an overview of the feedback, noting the strong support for the principle of connectivity but also that it was one of the least well understood and applied concepts of the Framework.

Respondents noted the need for management buy in to encourage integrated thinking as well as connectivity and this should be added to the summary of feedback.

Feedback received from Hong Kong noted disconnects of information and the siloed ownership of data, the Panel suggesting this situation wouldn't be confined to Hong Kong. One of the benefits of integrated reporting was the encouragement of company-wide thinking which leads to the breaking down of siloes and integrated thinking, and <IR> should be positioned as a catalyst for change.

The Chair noted the Panel needed to be mindful of what's feasible as integrated thinking relates to mindset and culture, but perhaps a high level paper might be possible.

The Panel acknowledged the job at hand was to develop the Framework and that any guidance needed to be developed within the scope of the Framework.

It was noted that a number of implementation guides and other materials had already been prepared on integrated thinking and people were still confused, so perhaps the best way to bring the concept to life was through case studies where organisations spoke about their experiences and what had actually happened within the company. The connection between connectivity and the business model could also be highlighted.

The Business Network webinars might be a good source of material that could be repackaged as case studies and shared more widely. It was also suggested some FAQ's and references to the examples database would be helpful.

5. Feedback Summary for Question 3: Stakeholders' legitimate needs and interests

The technical team introduced the feedback and suggested some FAQ's might be helpful to clarify areas of concern, this was agreed. Some good examples were needed in this area.

It was noted this is an area where people are struggling, more specifically in regards to behavioural change. The points for information were a good summary and an area where the IIRC needed to keep pushing to ensure there was a better understanding. There was a clear need to reiterate the IIRC's perspective on stakeholders. The panel questioned whether reporting was driving behaviour ie. were companies engaging with stakeholders to improve their reporting?

The panel thought it was important to consider the wording in the Framework to see whether it articulated what the IIRC envisioned.

Members of the panel suggested the issues relating to stakeholders were triggered by the tension of stakeholder needs and interests versus the audience being the providers of financial capital. Companies needed to consider stakeholder needs and interests in relation to the value creation process versus the decision usefulness of information for providers of financial capital. Additionally, corporate strategy must consider all stakeholders but reporting is focused on the needs of financial capital providers, but believed if the IIRC was direct in this area it risked losing the support of sustainability types.

The discussion was summarised, reiterating the importance of the legitimate needs and interests of stakeholders being incorporated into the value creation process, but the question of audience was an area to be restated without further discussion or covering old ground.

6. Feedback Summary for Question 5: Conciseness

The technical team summarised the feedback to Question 5, noting the support for the principle of conciseness, indicating it was an area where improvement was still needed, but also that improvement came with experience. The relationship between materiality and conciseness was noted by respondents, with a strong materiality assessment process correlating with more concise reporting.

The technical team also covered some of the suggestions arising, including one respondent's call for a checklist to show compliance with the Framework. This idea had differing levels of support from Panel members – some supported the idea of a checklist to help companies self-evaluate, others thought the IIRC shouldn't stray from the principles basis of the Framework.

The question of when a report can be called integrated was considered, the IIRC is mindful of the issues surrounding the quality of integrated reports. There needs to be increases in uptake or quantity of integrated reports, but not at the expense of quality. Statistics of the IIRC's review of integrated reports could be added to the report where possible.

The Chair noted the Panel should be considering issues at the pragmatic and abstract level.

The panel noted the improvements in conciseness of reports over time, based on the South African and more recently UK experience, and suggest these would be helpful in showing people that "it's a journey".

One respondent suggested the CORE & MORE approach from an Accountancy Europe (formerly FEE) paper which might merit some consideration - A panel member stated that there was some confusion around the CORE and MORE* approach.

- In March 2017, Accountancy Europe published a follow up paper to the 2015 FEE paper putting forward the idea of a “CORE & MORE” approach to corporate reporting. The original and follow up papers are available [here](#).

7. Feedback Summary for Question 6: Business model, outputs and outcomes

The technical team introduced the points for consideration which the panel felt were a good representation of the issues.

Some people were still struggling with outputs and outcomes, the panel stated that the Framework is not about monetization, but some further clarity was needed. Outcomes were generally tied to value creation and mentioned an Integrated Reporting Committee Reporting of South Africa paper on [Reporting on Outcomes](#) which could be helpful to refer people to.

The link between business model and connectivity was considered and it was suggested that to help some of the more complex organisations, it could be helpful for the IIRC to point to an example like GE for guidance, as GE was a large, complex organisation which was managing to report comprehensively in its integrated report. This area is difficult, and one that causes confusion so it was important that any guidance be kept simple, and also pointed out what was not in the Framework

The Chair summed up the discussion in relation to the feedback on Questions 1 – 3 and 5 – 6 and noted:

- The IIRC website could be improved to be more of a one-stop shop for guidance so people could find relevant information in one place
- A review of the examples database was warranted to ensure all examples were of the highest quality
- In relation to the idea of a checklist, the IIRC team suggest better promotion of the final two pages of the International <IR> Framework, which list the bold letter provisions required

8. Academic Paper

The technical team introduced the academic paper, and noted that the authors were well known to the IIRC, and had a history of stirring up controversy.

Panel members who were most familiar with the authors suggested the best approach was to not respond, as they wouldn't change their views regardless of the arguments put forward.

Questions posed in the academic paper could be deemed similar to the discussions being had by the Framework Panel, and that some points were well made, but others didn't warrant comment.

The panel felt that the more attention being given by the detractors, indicated they felt threatened and when an effort triggers a critical response, it is a form of flattery and also a measure of progress.

The paper was tabled, with no further action required.

9. Any other business

The Chair asked for feedback on how Panel members felt the meetings and discussions were progressing and the feedback was encouraging, reflecting that the meetings were well organised and chaired, the meeting papers were of a consistently high quality. Sufficient lead times were given to absorb materials distributed ahead of meetings.

Support was expressed for matters arising from the Implementation feedback to be addressed primarily through FAQ's and the Examples database.

The panel were impressed with the facilitation of the meetings feeling they had a good understanding of the Framework and related issues and were enjoying working with all Panel members.

The Panel noted their thanks for the work involved by the Chair and the IIRC team.

No other matters were raised.

10. Conclusions and next steps

The Chair thanked panel members and the IIRC team and closed the meeting. The next call is scheduled for 3 July 2017.