

<IR> Framework Panel: Meeting of 20 February 2018

Time	12.00 pm – 2.00 pm (GMT)
Members/TAs	Erik Breen (Chair), Jean-Luc Barlet, Yoichi Mori, Rodrigo Morais, Nancy Kamp-Roelands, Tom Roundell Greene, Hugh Shields, Roger Simnett, Jason Voss
IIRC	Lisa French, Richard Howitt, Yvette Lange, Laura Leka, Liz Prescott
Apologies	Sarah Bostwick Stromski, Lothar Reith, Zubair Wadee
Minutes	Liz Prescott
Agenda	<ol style="list-style-type: none">1. Welcome and attendance2. Minutes of previous meeting and matters arising3. Progress update: Guidance proposals4. Progress update: Guidance outputs5. Progress update: Research proposals6. Technical programme7. Any other business8. Conclusions and next steps

1. Welcome and attendance

The Chair welcomed panel members and noted apologies.

2. Minutes of previous meeting and matters arising

The Chair asked for confirmation of minutes of the 5 December 2017 meeting. The minutes were accepted without change.

3. Progress update: Guidance proposals

Multiple capitals. IIRC staff introduced the proposal to update the paper “Capitals – Background Paper for <IR>” and requested the panel’s feedback on the approach. Comments were as follows:

- Incorporating the investor view on the capitals, including what they want from the capitals model, is critical. One panel member committed to send detailed comments from the investor viewpoint to the IIRC team for consideration, and encouraged the IIRC to discuss terminology with investors.
- The IIRC should strike the right balance between aspiration and practice, and encourage organizations to incorporate a discussion of the capitals into business model depictions. The panel stressed that the IIRC needs to make the connections (between capital inputs, outputs and outcomes) explicit to reinforce the importance of the capitals in the business model discussion.
- Encouraging greater disclosure of the trade-offs and interdependencies between the capitals, as discussed in the <IR> Framework, is seen infrequently in practice.
- The IIRC should consider how the requirements of the EU Directive on Non-Financial Disclosures ties in to business model presentation. A panel member suggested that illustrative examples were needed, and that related workshops or roundtables could be beneficial.
- The IIRC might consider user preference for terminology (e.g., trade-offs versus balance). Illustrative examples may help to explain other terminology.
- Discussion of capitals should also reflect the short, medium and long term time horizon.

Value creation. IIRC staff introduced the proposal to revise the IIRC's *Value Creation Background Paper* to emphasize practice over theory and reinforce the importance of an entity-specific definition of value. Panel members' comments on the proposal were as follows:

- Greater focus is needed not just on value creation, but also on value retention or value lost.
- A focus on both internal and external value and how these aspects connect should be clearer in the integrated report.
- Time horizons are important, and the link between the business model and value creation over time needs to be reinforced, incorporating strategic and operational aspects of value creation.
- Investors need to be confident that social value creation has positive impacts on financial results or outlook.

Business model outputs and outcomes. IIRC staff introduced the proposal, which has strong links to both the Multiple Capitals and Value Creation projects. The *Business Model Background Paper for <IR>* will be used to reinforce the distinction between outputs and outcomes, and encourage greater balance in the reporting of both positive and negative outputs and outcomes. The paper produced by the Integrated Reporting Committee of South Africa, [Reporting on Outcomes](#), was noted as a useful reference. Panel members offered the following comments:

- What is the additional value created beyond what the company aims to create or produce, or beyond its stated business purpose?
- The IIRC should be mindful of real-world practice in terms of *outcomes* versus *impacts* terminology. Impacts are generally seen as monetizing non-financial indicators.
- Do outcomes have to be quantified, or can narrative be used to indicate quality of outcomes?
- Are outcomes discrete or finite in nature, or can they be ongoing (e.g., a lawsuit)?
- One panel member suggested looking at reporting by government bodies (which consider, for example, social outcomes, as well as service performance).

4. Progress update: Guidance outputs

Frequently Asked Questions (FAQs). IIRC staff presented draft introductory material to precede the more advanced, topic-specific FAQs (e.g., on multiple capitals, materiality). The Panel supported the tone, length and accuracy of answers, and encouraged staff to:

- Explain what the <IR> Framework aims to do, with reference to integrated thinking.
- Indicate what is required to be in compliance with the <IR> Framework (referencing Paragraph 1.17 and 1.20 and advancing the link between <IR> Framework compliance and audit).
- Include a question on the link between integrated reporting and management commentary.

Integration of feedback into <IR> Training Programme. IIRC staff provided an update on the work done to incorporate public feedback into the Training Programme.

Practice Aid: Summary of Framework Requirements: IIRC staff presented a draft practice aid introducing the bold letter requirements of the <IR> Framework. Panel members supported the content provided, but asked for references to the <IR> Framework to be included, along with wording encouraging users to read the <IR> Framework in its entirety.

5. Progress update: Research proposals

Use of narrative and non-financial information by providers of financial capital. IIRC staff noted the previous discussions on this topic and presented a revised research proposal, highlighting the need to keep the research brief specific and achievable. The panel agreed with the proposed approach and noted that in relation to investor surveys, it could be beneficial to seek out a

distribution partner (e.g., a data aggregator such as Bloomberg) to send a link to the survey to encourage a broader set of respondents.

One panel member noted that investor hurdles could be: (i) limited awareness or understanding of the goals of integrated reporting, and/or (ii) a belief that integrated reporting requires learning new skills. The IIRC needs to demonstrate that integrated reporting, with its future insight, is a natural fit for investors, who typically rely on traditional, historically-focused accounting reports.

Panel members also encouraged staff to consider the background research on management commentary prepared by the IASB, and seek out conference appearances at data aggregator events to encourage investor understanding of integrated reporting.

Corporate reporting developments. IIRC staff discussed the research proposal and the panel encouraged the IIRC to discuss the proposal with the Corporate Reporting Dialogue for further ideas and to avoid duplication with its work programme. The ongoing work between the IAASB and WBCSD to enable more consistent and appropriate application of ISAE 3000 to assurance of emerging forms of external reporting was also noted.

Incentives and barriers to balanced reporting, including legal liability. IIRC staff introduced the proposal and sought panel feedback. The panel agreed the research would be beneficial. It further encouraged the final output to note the range of real or perceived issues (e.g., forward-looking information, sign-off by directors, qualitative information) related to <IR> Framework adoption across various jurisdictions.

6. Technical Programme

There was no discussion required on this agenda item.

7. Any other business

IIRC staff noted a revised process for distributing and confirming minutes for each Panel meeting. Minutes will be circulated to Panel members within two weeks of the meeting and feedback/ approval will be sought within one week of circulation (noting that silence will be read as approval).

IIRC staff also sought and received approval from Panel members to send work papers out of session for comment, with appropriate lead time and clear communication of deadlines.

There were no other matters noted.

Conclusions and next steps

The Chair thanked Panel members and IIRC staff for their comments and attendance, noted the date of the next meeting as Tue 24 April 2018 and closed the session.