IIRC Council: Minutes of Meeting of 11 October 2017

1 Welcome and introduction

Mervyn King, Council Chair, opened the meeting at 10:05 (CEST), thanked the NBA for hosting the meeting and welcomed all participants to it. He noted the growth of the Accountancy profession in the Netherlands and the NBA's central role in this.

Pieter Jongstra, NBA Chair, welcomed IIRC participants. He himself had a lifelong professional and academic commitment and interest in <IR>. The NBA enjoyed a close relationship with the former Dutch Prime Minister Jan Peter Balkenende, who also had a deep interest in <IR>. Coalitions and Councils like the IIRC were important in terms of mobilizing and articulating common purpose and common interests. He hoped the IIRC could help to advance standardization in reporting.
A new coalition had recently been formed in the Netherlands around climate change and environmental disclosure and standard-setting. He wished all participants a wonderful Council meeting.

The IIRC Chair reported that he had received a number of proxies as usual, and acknowledged the guests and IIRC team who were in attendance.

The Chair reported that the IIRC's Board had agreed a formulation of its 'elevator pitch', as follows:

"Businesses and investors globally now recognize a broader approach to creating value. When incentives only reward short term behaviour, our capital markets are weaker, society is poorer and our environment suffers.

Integrated Reporting is a broad based framework for business and investment decisions that are long term, inclusive and with purpose. The IIRC is a worldwide coalition with the mission to mainstream integrated thinking and reporting and to change the corporate reporting system so that Integrated Reporting becomes the global norm."

It was available on the IIRC's website, and the Chair commended it for Council members' own use.

2 Approvals and committee report

2a) Minutes of previous meeting and matters arising

The minutes of the Council meeting held on 26 April 2017 were approved without revision. There were no matters arising.

2b) GAN Committee report

At this point, the Council Chair left the room and handed over the Chair to Sir Mark Moody-Stuart, GAN Committee Chairman. Sir Mark noted that the GAN report had been sent to all Council members. Paper 3a was very similar to the GAN Committee Report, but served to constitute the crystallization of the decisions before Council from the GAN Committee's report.

3. Governance Appointments

3a Chair and Vice-Chairs of the Council

Sir Mark reported the outcome of the search for a new Chairman, in the agreement by Dominic Barton, shortly to demit office as Global Managing Partner of McKinsey and Co, to be nominated as the new IIRC Council Chair. Dominic Barton was not, however, available to commence in post until October 2018.

There were therefore three interconnected proposals before Council:

(i) to invoke a variation of the Charter, requiring a 2/3 vote, allowing Mervyn King to serve a further year until 30 September 2018;
(ii) to elect Dominic Barton as the new Chair from 1 October 2018; and
(iii) to elect Peter Bakker and John Stanhope as Council Deputy Chairs.

Sir Mark requested comments. Council Members took the view that what was being proposed was both a commendable longer--term outcome, and a sensible bridging arrangement. Barry Melancon, Board Chair, commenting from the Board's perspective, noted that Mervyn King would continue to provide global reach and leadership, whilst Dominic Barton was already holding conversations on the IIRC's behalf in the global business community. The Board had held extensive consultations about the Appointment and had concluded that it would be a very successful outcome. Sir Mark also thanked Richard Howitt and Charles Tilley for their instrumental roles in securing this outcome.

As the Board's resolution to extend the current Chair's term by a year required a Council vote and a 2/3 majority, Sir Mark moved a formal vote; it was carried unanimously.

Sir Mark then formally moved the proposal to elect Dominic Barton as the new Council Chair, with effect from 1 October 2018; this was put to a vote and it was carried unanimously. He then moved the proposal to elect as the two new Deputy Chairs Peter Bakker and John Stanhope. This was also put to a vote and carried unanimously.

3b Other Appointments: Board and GAN

Mervyn King then re-entered the room and resumed the Chair, and moved to Item 3b. He thanked the Board Directors who had just demitted office: Peter Bakker, Jane Diplock, Tim Flynn and Reuel Khoza. The Chair acknowledged that Jane Diplock was present at the meeting and was to become the new Chair of the GAN Committee; he also noted again that Peter Bakker was becoming a Council Deputy Chair; John Stanhope, the other new Council Deputy Chair, was 'leading the charge' for <IR> in Oceania.

There would be two new Vice-Chairs of the Board, Helen Brand and David Nussbaum. The Chair noted that Michael Nugent was retiring from both IFAC and the IIRC, and read out a personal letter of thanks to him for his dedication to <IR> and the IIRC, to transparency and the creation of the International <IR> Framework; he then handed over this letter.

4. **Opening Panel/Speaker: Overview of <IR> developments in the Netherlands**

Paul Hurks and Angeli van Buren assumed seats at the top table.

Paul Hurks would speak about <IR> in the Netherlands; non-financial reporting more broadly; and the breakthrough phase of the IIRC's work. He proposed to address three main aspects: (i) the decreasing difference between financial and non-financial reporting; (ii) the urgency of sustainable reporting; and (iii) the International <IR> Framework and transparency.

(i) The main effect in the Netherlands of the EU Directive on Non-Financial Reporting had been to focus the minds of senior management on materiality in relation to financial risks. The new Dutch Code of Governance gave Boards responsibility for financial risk. There was a strong focus on the link between financial and non-financial reporting.

(ii) The Paris Agreement on Climate Change was very much on the Dutch government's agenda. Companies were increasingly recognizing they had to take the climate agenda on board to increase their competitiveness and change their business model accordingly.
(iii) In order to be benchmarked as a top company in the Netherlands, using the International <IR> Framework as a common structure was an essential step towards transparency and relevance.

In conclusion, he was optimistic about further breakthrough for <IR>.

Angeli van Buren spoke about the Dutch environment for <IR> and Eumedion's role in that, as a coalition or association of Dutch institutional investors aiming for sustainable investment. This was an unusual type of organization in the European context. 27% of all Dutch listed companies had an integrated report, and 55% of larger companies had one; in other words, <IR> was rapidly becoming mainstream. These reports were also of a good quality and more strategic. Eumedion had also collaborated with University of Groningen on research finding that Dutch companies were increasingly focussed on the longer term. The Dutch Corporate Governance Code had been revised in 2016 and also addressed long-term value creation. Eumedion was working on a new stewardship code for investors, and the integrated report was one of the best ways to do this. Angeli van Buren expected that the number of integrated reports would increase in the Netherlands and become mainstream.

The session now moved to open discussion and questions. Comments and observations by Council members and other participants were as follows.

In the Netherlands, this information was being requested by investors in their annual dialogue with listed companies, and the level of integration between financial and non-financial data in the integrated report was seen as important.

It was important to have outcomes indicators rather than process indicators, and long-term asset performance and portfolio review were important. Stronger companies might have lower short-term profits but better long-term performance, whereas Small and Medium Enterprises could suffer from an uneven playing field.

In response to a question on what happened when companies with a longer-term focus were taken over by companies with shorter-term gains in mind, Angeli van Buren responded that coalitions such as Eumedion tried to support companies in taking a long-term view.

The focus on the Sustainable Development Goals (SDGs) was magnifying the trade-offs between different aspects of risk and opportunity, and increasing the need for focus. Some of the terminology used around sustainability was unhelpful. Non-financial matters affected finance and financial information, so it might be better to refer to 'pre-financial' rather than 'non-financial' information.

The Chair concluded the session by noting the important difference between internal and external outcomes, and observing that 'we must not let knowledge get lost in information'. He thanked the panel.

5. CEO briefing and status updates

The Chair invited the Chief Executive, Richard Howitt, to present some highlights from his CEO Briefing. The Chief Executive stated that he was extremely happy with the decisions taken by Council on governance appointments; obtaining the very best appointments to governance roles was essential. He named the four new Directors and noted they were of the highest quality. He also echoed the Chair's thanks to Michael Nugent as an <IR> pioneer.

He welcomed the convergence between the Council's workings and deliberations and those of the Board. He was glad that the 'elevator pitch' was now agreed, and encouraged Council members to use it, as it should help <IR> become more accessible and better understood.

The Chief Executive was looking forward to several important sessions at Council, including the Breakthrough Phase breakout discussions, where Council feedback was valuable, and the Assurance Session, where the IIRC needed to do more work in future. He commended the work of the technical team on the Framework Implementation Review. The launch of special interest groups was also a significant advance in the IIRC's business network.

The Chief Executive had sought to visit all regions during his international travels in the first year of his tenure. He thanked the IIRC's Dutch hosts and colleagues for hosting the day's meetings. He invited Council members to undertake advocacy for European companies to usethe international Integrated Reporting <IR> Framework to implement the EU Directive on Non-Financial Reporting. He noted that, in South Africa, <IR> was delivering big improvements, especially in the face of the problems created by corruption. There was a surge in support for <IR> and the IIRC's work in countries including Australia and Japan. The next Council meeting would be held in Japan.

The Chair invited comments and questions. Comments and observations by Council members and other participants were as follows.

The level of progress in <IR> among the IIRC's different defined constituencies varied. The reporting community's prism on <IR> was already important, whereas, amongst the business associations, more progress was still needed.

Similarly, there were variances between regions and countries. The IIRC could not 'be everywhere', and had thus identified key priority markets. It was starting to gain the higher visibility necessary in the USA and had begun to deliver in India, another crucial market. Conversely, an example of a country where there had been breakthroughs even though the IIRC had not been very active was The Philippines.

The Chief Executive was asked about the financial sustainability of the IIRC. He acknowledged that the IIRC was currently very dependent on Council contributions, which were key to its viability. The IIRC did not aspire to become a huge organization; it had a small, global team, and its funding model provided about two years of certainty. Council members were thought leaders, champions and advocates for <IR>. The IIRC did want to develop other funding sources, but did not want to compete with its partner organizations.

The Chief Executive was also asked about branding or re-branding to focus more on integrated thinking, and whether the Board had initiatives underway in this area. The Chief Executive responded that he favoured evolutionary change, rather than radical shifts. There would be valuable lessons from assessment of the breakthrough phase.

The Council Chair noted the milestones of 1,600 organizations using <IR> in 62 markets, and that <IR> reflected integrated thinking and planning. There was clear evidence that companies embracing <IR> could raise capital more cheaply. The 17 SDGs were key, and indivisible for the economy, society and the environment. Growth in the number of <IR> adopters was likely to come from companies in Council members' own circles of corporate contacts.

There was some reflection on the value of companies' being in listed indexes such as Standard and Poor's, and acknowledgement that there were many indexes, some of them competing and fragmenting the market. The changes in Directors' liability provisions were a significant, but not insuperable, challenge.

There were 6,000 European companies which were obliged to respond to the EU's Non-Financial Reporting Directive. This Directive was a huge stimulus providing momentum for <IR>, but we still needed a critical mass of companies to be adopting and using <IR>. There were also different national routes to <IR>. The Chief Executive noted that the UK 'Strategic Report' was, in all but name, an Integrated Report, but needed to be called by that nomenclature. The Financial Reporting Council (FRC) had agreed to undertake a mapping exercise, in partnership with the IIRC.

The Chief Executive encouraged Council members to use the research that the IIRC had supported, noting that links with universities were key. The Chair observed that Section 172 of the UK Companies Act gave Directors a responsibility to look after the business in the best interests of its members, i.e. shareholders, who therefore 'trumped' other stakeholders. This was an example of the fact that the IIRC's work was undertaken in the context of individual jurisdictions' Company Law. Risk aversion on the part of Directors could be negatively incentivized by legislation; and this could be bad both for companies and for the economy.

6 Strategy

6a Overview of Findings of Framework Implementation Review

Liz Prescott presented this item on behalf of Lisa French. The April 2017 Council meeting had included a focus group on this issue, and today's session 'book-ended' that. The formal report was being launched at a major session on this issue to be held at the Convention the following day. Powerpoint slides summarizing the Review were projected: who responded to the consultation; which issues were raised; and what the implications were for the IIRC. Most responses had come from Europe and Asia; and from the consulting, insurance and report-preparer constituencies; but also regulators, standard-setters, report-users, and academics. There were over 40 action implications for the IIRC, which would be delivered via three mechanisms: encouragement of research on key issues, preparation of guidance for report preparers, and targeted engagement and collaboration with others. The public consultation showed no compelling push for any revision of the Framework before 2019. The Summary Report would be available on the IIRC's website from the following day (after the formal launch). It was not intended to take questions or comments at this juncture, as the opportunity for that would arise the following day.

7 CRD Presentation

Ian Macintosh joined the top table to make this presentation on the Corporate Reporting Dialogue (CRD). He listed the participants in the CRD, which had been set up in 2014. It had a Terms of Reference, but no constitution, funds or formal governance. Some good news was emerging, and Ian provided an update on developments since the April 2017 Council meeting, which included conferences, consultations, and interactions with Brussels and the Taskforce on Climate-related Financial Disclosures (TCFD). The Bloomberg Philanthropic Foundation had been willing to consider a funding proposal, and the final proposal had been submitted on 9 October 2017. The Proposal was to pursue alignments of the various frameworks and standards, in the context of the recommendations of the Task Force on Climate-Related Financial Disclosure (TCFD) and of the wider aims of integrated reporting embedded in the Corporate Reporting Dialogue itself. The work would have been undertaken anyway, with or without that funding (but simply more slowly, if without); the contribution would be focused on alignment of metrics, communications, and some core funding for necessary expenses; it would probably be a three-year project. The Council Chair observed that it would be an enormous gain to achieve this alignment.

To a question regarding what the place of the International <IR> Framework was in relation to the CRD alignment project, the Chief Executive acknowledged that sustainability frameworks offered special, emphasizing that that the <IR> Framework provided a principles-based approach, but that the IIRC was playing an important role in the review stage at each stage of the project. The IIRC would lead on communication to market – an important aspect of the project to ensure the alignment is both understood and used.

8 Assurance: Panel 1

Veronica Poole, Global IRFS Leader at Deloitte UK, assumed the Chair for this session and introduced her Panel: Jeff Thomson, President and CEO of the Institute of Management Accountants; Prof Arnold Schilder, Chairman of the IAASB; and N K Misra, Executive Director of Finance, Tata Steel Europe.

Prof Schilder noted that there was currently a great deal of relevant work being undertaken. The IAASB had published a discussion paper the previous year on assurance in <IR> and wider external reporting. Support was needed to guide practitioners in complying with existing standards. 10 key challenges needed to be addressed, of which the top 4 were: suitability of criteria, materiality, lack of maturity in governance, and internal control. Additional resources to undertake this work were being sought from the Gordon and Betty Moore Foundation, with two phases of planned work: creating the draft guidance and publishing it; and addressing the other 6 challenges. It was important that information was credible and reliable; and a variety of standards was available in the public arena; therefore this work should take, as its starting point, an inventory of which standards were already there, and how they were developing.

Veronica Poole took the audit perspective. Behind integrated reports should be integrated thinking; ‘an authentic story told’. Accountancy firms had undertaken some research on the status of assurance in 11 countries (the G8 plus the BRICs), and had ascertained inconsistencies in requirements. ESG factors were increasingly being taken into account, but there were inconsistencies regarding KPIs and quality of data.

Jeff Thomson provided a preparer perspective. He cited a paper entitled “Leveraging the COSO Internal Control - Integrated Framework to improve confidence in sustainability performance data“. Effective and integrated internal controls could help with guidance on all kinds of information. COSO principles are meant to apply to all kinds of information. Sustainability performance, ESG and non-financial data were, compared to financial data: less tangible, more qualitative, forward-looking, and manually sourced. Controls needed to be present, functioning and integrated. The study had included eight mini-case-studies, including Novo Nordisk. The CFO should function as a ‘Chief Value Officer’ and the focus for leading ‘integrated internal control governance’.

NK Misra added to the preparer perspective. He noted that assurance meant completeness and accuracy (the term ‘fair’ was now used, rather than ‘correct’). ‘Hard’ assurance meant certified, as opposed to ‘soft’ assurance, which was reasonable. Auditors increasingly needed to explain the nuances behind the numbers. Assurance needed to be considered for integrated reports. Boards had a key role in increasing credibility and trust. There were ‘no silver bullets’, but the first line of defence was internal controls. Tata Steel India had been doing <IR> for two years but was still somewhat insecure on it. NK Misra suggested a brief summary statement (perhaps a couple of pages in length) on the six capitals, with a paragraph for each. It was better not to create yet another corporate committee, but instead perhaps to designate one Non-Executive Director with the <IR> ‘portfolio’.

In conclusion, it was noted that assurance is increasingly important to the <IR> agenda. The developments set out by the panel were welcomed and they are helping to take this agenda forward. The need for innovation in this area is still present. However, it was also noted that the continuing focus on quality of information and enhanced internal controls were the most pressing. The role of boards in setting the tone for this continues therefore to be essential.

9 Breakthrough Phase Review

9a Final Review of Breakthrough Phase

The Chair invited Jonathan Labrey to join the top table. Jonathan Labrey noted that this assessment was timely, if not yet 'final'. The IIRC needed to learn its lessons and tell its story, starting from what had been achieved over the last three years. We had taken stock of our 'breakthrough moments'. The Petronas example was such a moment; as was B20 membership, providing clear proof of the potential for widespread adoption of <IR>. Other examples included stewardship codes, and changes in capital-market thinking.

9b Breakout Session: Breakthrough Phase outcomes and impact (including reporting back to plenary).

Council then broke out into three discussion groups for structured debate around four key questions. At the conclusion of the breakout period, Council reconvened in plenary and the facilitators for each group briefly summarized their discussion. More detailed notes had been taken by the note-takers for each group, and these have been synthesized by theme and are presented at **Annex II**.

Group A: Alan Hatfield

Excellent progress had been achieved during the breakthrough phase; the question was now how to accelerate this, in particular how to make more of the forward shift in the investor community. Global and market trends were important context, for example, how information was developed, owned and used outside the reporting organization. There were key lessons for the next phase, but many things were now 'lined up'. We should dig more deeply into what was involved in producing an Integrated Report.

Group B: Gord Beal

More time would have been valuable for this process, with so much experience to share. The breakthrough phase was not yet over; we might still be in the middle of it, and different jurisdictions were at different stages of achievement; we needed local champions. Given the complexity of the reporting environment, it was a challenge to measure cause and effect as opposed to simple correlation. We needed to plan proactively how to demonstrate progress over time and to engage 'hearts and minds' of some of the more challenging communities e.g. investors, regulators. The meaning of transparency, and demand for it, was changing. It was important to develop the right metrics to convey progress; and to communicate it effectively.

Group C: Brad Monterio

This group agreed with Jonathan that breakthrough was 'not binary'. What constituted a 'breakthrough moment' might vary by stakeholder group, or jurisdiction; its definition was not monolithic. There were 'tipping points. 'Breakthrough' might be perceived as being about paradigm shift, or simply making a start. <IR> might take on a life of its own, such that IIRC lost 'control'; this was not necessarily a 'bad thing'. We should not set unrealistic thresholds; for example, in the investor community, some key players were now coming on board. Good communications were needed. We should take a 'lifecycle approach' to defining starting points: if a country was at an earlier stage, 'leapfrogging' to start with <IR> was an attractive option.

Jonathan Labrey concluded the session by informing Council that follow-up papers would be brought to future Board and Council meetings.

10 Sustainable Development and <IR>: Panel 2

Neil Stevenson introduced the session.

Claudia Kruse of APG Asset Management spoke first. She noted that the Sustainable Development Goals (SDGs) were published at the end of 2015, and investors were increasingly using them as a reference for how to invest. A taxonomy was needed to help identify and qualify investable opportunities. There was support from Dutch, Swedish and Australian sources, amongst others seeking sustainable development investment opportunities, and increasing collaboration between investors. The Dutch Central Bank was taking a strong interest. At the EU level, the Expert Group on Sustainable Finance had published an interim report in July, with its final report due by year-end. Data challenges were growing, requiring more sophisticated uses of data.

Tim Mohin, Chief Executive of the Global Reporting Initiative (GRI) took the view that the SDGs were 'the framework that ate the other frameworks... this is the world's agenda', and 'companies are now bigger than countries'. GRI was aiming to build an SDG road-map, partnering with UN Global Compact, to which the IIRC itself had been invited to become a partner in the second stage. Phase 1 had analysed all 17 goals and 169 targets, actions that companies could take to contribute to the SDGs and the KPIs to report on them. Guidance was now being drafted for release due in January 2018. Phase 2 would entail gaps analysis (e.gs. absence of disclosure standards, overlaps/duplications), and the 'accounting part', to help the UN to assess progress against the goals by country and region.

Jessica Fries of The Prince's Accounting for Sustainability Project (A4S) noted that the SDGs were a unifying methodology. The Task force on Climate-related Financial Disclosures (TCFD) work built on predecessor work and related initiatives. Chief Finance Officers were seeking to integrate sustainability with debt finance providers, building on similar work done with the fixed income community. There was a shift from seeing sustainability finance as a risk, to a positive impact; and some real advances with credit rating agencies such as Moody's. The International Organization of Securities Commission (IOSCO) Emerging Markets Taskforce was also looking at sustainability. Finance and accounting streams in business schools were picking up on it, and research in this area was becoming more robust. Alignment was needed in the thinking about how to measure these things, and was being pursued through the 'measure what matters' project. Some Dutch cities had speeded up the data collection process.

In the ensuing plenary discussion, points made included the following. If a company took sustainability and environment seriously, they would be incorporated into its business model. There were investment opportunities in almost all of the 17 SDGs, and some companies were globally acknowledged as leaders with their business systems e.g. Unilever. The SDGs could be difficult for countries to engage with; but in delivering some of the goals e.g. zero poverty, companies had a big role, for example in job creation.

Countries were all expected to articulate Intended Nationally Determined Contributions (INDCs); and while aggregating these was methodologically tough, it was important. Delivering the SDGs could require big changes in banks' practice, for example, sustainability covenants being built into lending agreements.

One concern was whether the SDGs had a sufficient 'push' to get them into the Board Room, as the FSB backing for TCFD can have.

Neil Stevenson summarized the session by observing that the SDGs were the 'world's agenda'. The session had highlighted some very useful pointers for IIRC's future priorities, and had been informative regarding investors', banks' and credit rating agencies' activities. It is also clear that there is a strong role that <IR> can play in this area, through the focus it brings on strategy and the value creation model.

11 AOB

The Chair acknowledged the significant work invested by the IIRC in arranging, convening and supporting this meeting. He thanked Pieter Jongstra, NBA Chair and all the NBA staff for their hospitality.

The Chair thanked Council for their attendance and inputs, and looked forward to seeing them again in Tokyo in February 2018. He wished them safe travels home, and invited them to join the drinks reception. He closed the meeting at 17:07 (CEST).

Annex I: Attendance List

Present

Members/alternates			
Mervyn	King	Chairman of the IIRC Council	
Vania Maria	Borgerth	BNDES	
Jocelyn	Brown	RPMI Railpen	(For Chris Hitchen)
Mahendra	Chouhan	Asian Centre for Corp. Gov. & Sust.	
Juan	Costa Climent	Ernst & Young	(For Mark Weinberger)
Jean-Charles	de Lasteyrie	French Interest	
Lindie	Engelbrecht	South African Institute of Chartered Accountants	(For Terence Nombembe)
Eduardo	Flores	FIPECAFI	(For Wellington Rocha)
Jessica	Fries	A4S	
Alan	Hatfield	ACCA	
SoonJick	Hong	Korea Productivity Center	(For Chun Seon Lee)
Gary	Kabureck	IASB	(For Hans Hoogervorst)
Mandy	Kirby	PRI	(For Fiona Reynolds)
Keiko	Kishigami	JICPA	(For Aiko Sekine)
Frank	Klein	EFFAS	
Claudia	Kruse	APG Asset Management	
Alastair	McCapra	Global Alliance for PR and Comms Mng	(For Dan Tisch)
N K	Misra	Tata Sons	(For Koushik Chatterjee)
Tim	Mohin	GRI	
Anne	Molyneux	ICGN	
Mark	Moody-Stuart	UN Global Compact	
Felipe	Morgado	UNCTAD	(For James Zhan)
Saker	Nusseibeh	Hermes	
Cora	Olsen	Novo Nordisk	(For Susanne Stormer)
Vincent	Papa	CFA Institute	(For Sandy Peters)
Hilary	Parsons	Nestlé	(For David Frick)
David	Pitt-Watson	UNEP FI	
Cyndi	Plamondon	IIA	(For Richard Chambers)
Veronica	Poole	Deloitte	(For David Cruickshank)
John	Purcell	CPA Australia	(For TBC member)
Lothar	Rieth	EnBW	(For Thomas Kusterer)
Giorgio	Saavedra	World Bank	(For Zinga Venner)
Wienand	Schruff	IFAC	(For Rachel Grimes)
Richard	Sexton	PwC	(For Bob Moritz)
Paul	Simpson	CDP	
Nigel	Sleigh-Johnson	ICAEW	(For Michael Izza)
Chris	Smith	BDO	(For Martin van Roekel)
Charles	Tilley	CIMA	
Joy	Thomas	CPA Canada	
Jeff	Thomson	Institute of Management Accountants	
Mark	Vaessen	KPMG	(For Bill O'Mara)
Angeli	van Buren	Eumedion	
Lin	Zhu	Ministry of Finance, China	
Guests			
Gord	Beal	CPA Canada	(Guest of Joy Thomas)
Paul	Chan	IIRC Ambassador	
Jane	Diplock	Immediate Past Deputy Chair of IIRC Board	
Michael	Gebbert	EnBW	(Guest of Lothar Rieth)
Stathis	Gould	IFAC	(Guest of Wienand Schruff)
Paul	Hurks	NBA	
SokHyun	Kim	Korea Productivity Center	(Guest of SoonJick Hong)
Brad	Monterio	Institute of Management Accountants	(Guest of Jeff Thomson)
Arnold	Schilder	IAASB	
Tim	Sheehy	Institute of Chartered Secretaries and Administrators	
IIRC Directors			
Louise	Davidson		
Richard	Howitt	Chief Executive Officer	
Barry	Melancon	Chairman of the Board	
David	Nussbaum		
U K	Sinha		
IIRC Team			
Aislin	Bamber		
Jyoti	Banerjee		
Camilla	de Ste Croix		
Sarah	Grey		

Alexandra	Jones		
Jonathan	Labrey		
Juliet	Markham		
Hiroko	Ozawa		
Michael	Nugent		
Liz	Prescott		
Neil	Stevenson		

Apologies

Members			
Paul	Andrews	IOSCO	
Richard	Chambers	IIA	Represented by alternate
Koushik	Chatterjee	Tata Sons	Represented by alternate
Sok Hui	Chng	DBS	
Tim	Christen	AICPA	
David	Cruickshank	Deloitte	Represented by alternate
Cobus	de Swardt	Transparency International	
Yogesh Chander	Deveshwar	CII	
Morne	du Plessis	WWF	
Bob	Eccles	Saïd Business School, University of Oxford	Proxy to Chairman
Michelle	Edkins	BlackRock	
Rick	Ellis	Chartered Accountants ANZ	
Peggy	Foran	Prudential Financial	
David	Frick	Nestlé	Represented by alternate
Rachel	Grimes	IFAC	Represented by alternate
Steve	Gunders	SASB	
Joyce	Haboucha	Rockefeller	
Stephen	Harrison	Global Accounting Alliance	
Chris	Hitchen	RPMI Railpen	Represented by alternate
Hans	Hoogervorst	IASB	Represented by alternate
Obiora	Ike	Globethics.net	
Rodney	Irwin	WBCSD	
Michael	Izza	ICAEW	Represented by alternate
Thomas	Kusterer	EnBW	Represented by alternate
Chun Seon	Lee	Korea Productivity Center	Represented by alternate
Mindy	Lubber	CERES	
Eliane	Lustosa	IBGC	
Bob	Moritz	PwC	Represented by alternate
Terence	Nombembe	South African Institute of Chartered Accountants	Represented by alternate
Ed	Nusbaum	Grant Thornton	
Saker	Nusseibeh	Hermes	
Bill	O'Mara	KPMG	Represented by alternate
Geert	Peeters	CLP	
Sandy	Peters	CFA Institute	Represented by alternate
Fiona	Reynolds	PRI	Represented by alternate
Welington	Rocha	FIPECAFI	Represented by alternate
Rick	Samans	CDSB/WEF	
Takafumi	Sato	Japan Exchange Group	
Aiko	Sekine	JICPA	Represented by alternate
Susanne	Stormer	Novo Nordisk	Represented by alternate
Dan	Tisch	Global Alliance for PR and Comms Mng	Represented by alternate
Martin	Van Roekel	BDO	Represented by alternate
Zinga	Venner	World Bank	Represented by alternate
Simon	Walker	GNDI	
Mark	Weinberger	Ernst & Young	Represented by alternate
Stefano	Zambon	WICI	
James	Zhan	UNCTAD	Represented by alternate
Observers			
Svein	Andresen	FSB	
Robin	Edme	Group of Friends of Paragraph 47	
Russell	Golden	FASB	
Kevin	McKinley	ISO	
IIRC Directors			
Helen	Brand		
Michael	Bray		
Alexsandro	Broedel Lopes		
Aron	Cramer		
Izumi	Kobayashi		
Jeanne	Ng		
Christian	Thimann		

Annex II: No Strategy Breakout Group Sessions on Breakthrough Phase Outcomes and Impact: Summary of the Discussions of the three groups

This Summary is in one integrated report, clustered thematically around the four questions posed.

There were four Questions:
Q1 How do you assess the IIRC's performance against its original strategic objectives and against the overall objective of the Breakthrough Phase?
Q2 Have we missed any major potential breakthrough moments in this phase?
Q3 What global and/or market trends have been key in helping us to deliver this phase of our strategy?
Q4 What are the key lessons that can be applied to the next phase of strategy?

There were three Groups, which each addressed all four Questions:
Group A. Facilitation: Alan Hatfield, Note-taker Neil Stevenson
Group B. Facilitation: Gord Beal, Note-taker Camilla de Ste Croix
Group C. Facilitation: Brad Monterio, Note-taker Michael Nugent

General opening observation:
The IIRC is not in a 'binary' situation, i.e. having either 'broken through' or not done so, an absolute way; rather, we need to assess what the successes have been, and where there is progress that needs to be leveraged further.

Q1 How do you assess the IIRC's performance against its original strategic objectives and against the overall objective of the Breakthrough Phase?

- There are excellent first steps – 1,600 organizations adopting <IR>. While more progress might be hoped for in G7/G8 countries, the strong momentum in developing countries is welcome.
- 'Everything is lined up' – the themes, direction and overall developments are consistent and very well aligned to support adoption of <IR>. However:
- It is probably premature to say we have broken through and are at the next stage; the IFAC group feedback from meeting the previous day indicates we may not be there yet.
- The number of reports may increase, but the quality of reports matters, too.
- Different jurisdictions will move at different rates, in different ways, and for different reasons. This makes it complex, because different mechanisms, enablers and drivers are at play in different jurisdictions. This in turn requires more than one monolithic global strategy.
- Some mechanisms achieve a lot quickly, others are slower.
- Breakthrough is certainly not yet finished for SMEs or the public sector.
- To flourish, we will need to ensure that private companies adopt <IR>, whether in relation to their providers of financial capital, or as a response to wider trends of transparency (including through the supply chain).
- The public sector also needs to communicate on value creation and there should therefore be good opportunities to encourage more adoption here. Progress in the public sector will be important to the next phase of strategy.
- With regard to Regulators, more engagement with them is needed, as they are key to driving quality and quantity of adoption.
- With regard to the IIRC's stance on regulating <IR>: although regulatory requirements have been very successful at driving adoption in some markets (notably South Africa and Japan), our approach is not to seek regulatory requirements elsewhere, as this could lead to 'tick-box' approaches to compliance, rather than achieving a shift to integrated thinking. Our aim is regulatory endorsement

and clarification. Our message to corporates should be "adopt better disclosure now on your own terms, before regulators define the standards for you in a restrictive way".

Q2 Have we missed any major potential breakthrough moments in this phase?

- There are good examples of investor thinking and developments which are well aligned to the work of the IIRC and which can be seen as breakthroughs. There is potential to identify and include these further.
- This was felt to be true particularly in the thinking and initiatives of pension funds and in developments in ESG research/integration into mainstream investment considerations.
- We could encourage/require new reporters to produce only good quality reports from the beginning. Is it better to allow ease of entry and get reporters started, then rely on the market to apply pressure to improve quality?
- How should we track the 'invisible reporters', e.g. those that:
    - Do an integrated report but do not call it that (UK strategic reporters),
    - Do an integrated report but do not cite the Framework (UK strategic reporters), or
    - Adopt integrated thinking internally, but not for external reporting (like World Bank)?
- National bodies are key to monitoring progress with invisible reporters (particularly given different requirements in different jurisdictions); now is a good time to review links with and monitoring mechanisms of national bodies.
- Integrated thinking does not get rid of silos, but the benefit of adopting integrated thinking internally is better "line of sight" through silos
- What do we define a "breakthrough moment" e.g.:
    - Internal adoption
    - External statement about adoption
    - Publish a report
- Need it be called an integrated report and mention the Framework?
- Alignment of Frameworks would be a major breakthrough (Section 172 UK)
- Breakthrough moments may be different according to stakeholder groups: preparers, investors, standard-setters, regulators, etc
- Not all breakthroughs need to be caused by <IR>, as long as they are correlated/moving in the same direction. If not caused by <IR>: (a) 'good' because it takes no IIRC resources; (b) 'bad' because IIRC does not have control
- Is the 'Global North' the correct focus? China, India, etc (a) have fewer barriers/legacy systems, and (b) may require a smaller investment to get a bigger return over a longer time. Significant breakthroughs have occurred in South Africa and Brazil – they have the ability to leapfrog and may be more inclined to listen and act.
- It is important that the IASB take on revision of their Management Commentary Practice Note.
- Are we correct to focus on market drivers, or should we pay more attention to regulatory drivers?
- Passive investment, i.e. investing in market indexes was thought to be a threat (because to invest in the index, you do not need company information). However, Vanguard have said that if they are "forced" to invest in certain companies for the long term simply because they are in the index, then they will engage with them to make sure they are doing the right thing and creating value for their beneficial owners. To engage, you need company information.
- Integrated thinking is being pushed, but we have not pushed the Framework as the route to integrated thinking.
- Some investors think that <IR> is a way of "hiding" significant issues because the quality of some/many published reports is not very high.
- Some investors ("quants") like metrics and are therefore attracted to quantified disclosures (like sustainability indicators) whether or not they are material.
- Reporters are choosing bits and pieces from different frameworks/standards (like GRI and SASB)

Q3 What global and/or market trends have been key in helping us to deliver this phase of our strategy?

- <IR> is well aligned to a range of initiatives/global developments – including the EU High Level Expert Group on Sustainable Finance, and the FSB Taskforce on Climate-related Financial Disclosures. The Capital Markets Union was also viewed as an aligned opportunity.
- There is also an increasing interest by policy makers and regulators in non-financial reporting requirements, whether mandatory disclosures or enhanced principles-based approaches to encourage broader and wider reporting on business practice and performance. A key driver is to increase the quality of disclosures.
- The Framework is a strategic blueprint. Companies in Malaysia >RM250m are forced to do sustainability reporting now; next year companies >RM125m; and in 2 years, all companies. What are the most promising approaches to move reporters from sustainability reporting to <IR>; and what is the most appropriate language (e.g. value creation).
- Other key drivers include: increasing market capitalization; 'the End of Accounting; and rapid technological change.
- If an integrated report accompanies the financials, it is important that investors actually look at the integrated report. Digitally enabled information mechanisms could help.

Q4 What are the key lessons that can be applied to the next phase of strategy?

- Key to driving global adoption of <IR> is for it to become a Board and corporate governance issue, not a sustainability issue
- Investors, regulators, issuers and the whole reporting ecosystem: we need to engage them all, and win hearts and minds
- We need to be more demanding in our 'asks' of the market
- Increasing visibility of <IR> with investors is a key 'pull' and is a lesson that can be applied more widely.
- Regulatory endorsement is an important driver of adoption and should be recognised in the next phase of strategic development.
- We should be more rigorous in identifying and engaging with key audiences and the 'leverage points' that can be achieved – for example, among analysts, board directors and academics.
- A key trend on technology has perhaps been underplayed in the strategy to date. There are already changes in the way that information is developed, owned and used. It was noted that vast amounts of information are now available, much of which is not owned by the reporting organisation itself and which is generated outside and around the organisation. How this is deployed by stakeholders, above all providers of financial capital, could have a large impact on the way in which organisations view and conduct their reporting – including opportunities for innovation and greater use of technology in report production, consumption and analysis.
- We need different messages for different audiences (different participant and different jurisdictions).
- We must be aware of similar phenomena in different markets being called different things. When faced with different language, look for substantive similarity.
- We need local champions who can adapt the <IR> agenda to their market.
- How will the IIRC judge success in its next phase?
    - We need to measure the impact that <IR> and integrated thinking is having in the world, not just numbers of integrated reports published.
    - As there are many trends at play, we need to think about how to separate/isolate cause and effect when judging impact of <IR>.

  - Showing impact/output of our movement: we need more appropriate and meaningful measures and KPIs, the right metrics which show impact and progress, not just moments in time.
  - Alignment of metrics would be a major breakthrough: not all sustainability metrics, but that subset that is investor-relevant.
  - Standards are needed as a consistent starting point for relevant metrics
  - The IIRC must communicate to the world about growth in quality and quantity of adoption of <IR>, and the impact of this.
- Trends that we need to tap into include:
  - Transparency is growing, as are expectations for increased transparency from corporates, especially around their strategies for climate change. The TCFD has raised the profile of climate risk for corporates and investors and the role of better reporting in mitigating these risks and driving behavioural change.
  - The IIRC must leverage the SDGs.
  - Declining trust means we need to identify how companies need to change and use better communications to rebuild trust.
  - An increasingly broad range of factors (beyond the purely financial) is used to make decisions by investors and corporates.
  - Social media's impact on corporate reputations and communications is increasing, as is the financial materiality of reputational issues. The IIRC needs to show corporates how <IR> can help them in this environment to take control of their own narrative and better manage and mitigate issues that could become reputational risks.