IIRC Council: Minutes of Meeting of 27 February 2018

Time: 09:00 - 16:00 JST
Venue: Tokyo Stock Exchange, Tokyo
Chairman: Prof Mervyn King
Attendance: See attached list at **Annex I**

Agenda

Item	*Paper*
1. Welcomes and introduction	
Council Chair; Welcome on behalf of hosts, Tokyo Stock Exchange	
2. Opening Panel Session:	
Current Developments in Japan	
Izumi Kobayashi, IIRC Director and Vice Chair, Japan Association of Corporate Executives	
Akitsuga Era, Director and Head of Investment Stewardship, BlackRock Japan	
3. Approvals and committee report	
a) Minutes of previous meeting and matters arising	3a
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COFFEE BREAK	
4. CEO briefing and status updates	
a) CEO briefing	4a
b) Breakthrough Phase Review Summary	4b
5 Management Commentary Practice Statement – presentation by Gary Kabureck, Board Member, IASB	
6 Update on Corporate Reporting Dialogue – Ian Mackintosh	
LUNCH BREAK	
7(a) Strategy Discussion Session 1	7a
Format: (i) Opening Panel; (ii) Breakout groups; (iii) Plenary discussion.	
Capitalism in a multi-capital world	
Panellists: Jessica Fries, Executive Chair of Accounting for Sustainability Project(A4S)- Session Chair	
Michael Bray, IIRC Director and KPMG Fellow of Integrated Reporting, Deakin University	
Richard Chambers, President and CEO, the Institute of Internal Auditors	
Susanne Stormer, Vice-President of Corporate Sustainability, Novo Nordisk	
COFFEE BREAK	
7(b) Strategy Discussion Session 2	7b
Format: Panel discussion	
Market Impact of Technology on Corporate Reporting	
Panellists: Mandy Kirby, Director of Reporting, Assessment & Accountability, PRI - Session Chair	
Kathleen Muller, Head of Advanced Enterprise Analytics, Southeast Asia, SAP Asia	
John Turner, CEO, XBRL International	
Yoshiaki Wada, Senior Manager, NTT Data Systems Technologies	
8. AOB	
Close	

IIRC Council
Meeting of 27 February 2018
Minutes

1 Welcome and introduction

Mervyn King, Council Chair, opened the meeting at 09:03 (JST), thanked the Tokyo Stock Exchange (TSE) for hosting the meeting and welcomed all participants to it.

Dr Takafumi Sato, for the Japan Exchange Group, welcomed the IIRC and all Council participants. He stated that the hosts were honoured that the IIRC's Council had returned to TSE, which had previously hosted it in December 2015. There had been some notable developments in Japan since then. The number of companies producing integrated reports had increased from 220 to 341, even though it was not mandatory in Japan to produce one. He attributed the increase to a changing market environment, and the stewardship responsibilities, as captured in Japan's Stewardship Code and Corporate Governance Code. Non-financial information in corporate disclosures was also becoming more widely adopted. Dr Sato hoped that this Council meeting would deliver constructive debate.

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

Ms Aiko Sekine from JICPA also welcomed IIRC Council to Japan. She observed that integrated reporting was becoming a core language in the Japanese business community. This resulted from collaboration and integration amongst IIRC members and other stakeholders, and many companies were adopting integrated reporting. Complex and diverse activities required more holistic reporting, and greater emphasis on long-term value creation. A close connection between corporate governance and corporate reporting was key to improving productivity and accountability, and making companies more responsive to the needs of the public.

2 Opening Panel Session: Current Developments in Japan

The Chair welcomed Izumi Kobayashi and Akitsuga Era to the stage. Hiroko Ozawa joined them, assumed the chair for this session and introduced the speakers, inviting them to address how integrated reporting was improving corporate governance in Japan.

Izumi Kobayashi observed that the economy was enjoying steady growth. GDP had been growing for the previous 8 quarters. Most Japanese companies' financial year-end was March. The proportion of independent Board members had increased to an average of a third: historically there had been none, so this was a significant change. Companies which practiced integrated reporting had registered larger increases in their stock prices; a causal link here was not proven, but there was still an observable pattern. Shareholders and stakeholders' interests were being more fully taken into account. Longer-term horizons, the pursuit of sustainable development goals (SDGs), and fuller disclosure were all becoming more central. Board effectiveness still needed to improve; there was still much debate over environmental considerations and levels of disclosure; and, whilst parent companies were paying more attention to corporate governance, subsidiaries also need to do so more.

Akitsuga Era provided a brief background to the Japanese Stewardship Code. This was an important development in historical context. The Japanese economy had been at its peak at macroeconomic level in the 1980s (in terms of capital gains and stock price increases). The bubble had then burst, and recovery and restructuring of balance sheets and changes in strategy had taken a decade. It had taken 20 years for the economy to recover fully to its earlier peak. At present, 28% of the population was over the age of 65; this was projected to rise to over 33% by 2030. People needed solid returns on investment to fund their retirements, and the corporate mindset had to change accordingly. The investor community had to commit to enhancing long-term value creation, and to view shareholders as partners. Two Codes had been introduced in 2015 by the Financial Services Authority and the Tokyo Stock Exchange; the Stewardship Code and Corporate Governance Code. The Integrated Reporting Framework helped, with its model of the non-tangible capitals.

Hiroko Ozawa opened the session to questions and discussion. The following observations and points were made.

- Remaining challenges included the quality of integrated reports, more concise reports, a more convincing narrative, and identifying the most meaningful key performance indicators (KPIs) for the non-financial capitals.
- We needed not only a multi-capital approach, but also a multi-stakeholder approach, and integrated thinking as well as integrated reporting.
- It was still too early to draw lessons generalizing about the 330 Japanese companies using integrated reporting, but it would reward further analysis.
- The message from a CEO at the start of an annual or integrated report was very revealing of the extent of integrated thinking.
- One way to marry the agendas of managers and investors more effectively was through closer communications between top management and investors; and managers needed to understand the investor perspective better.
- There was increasing demand for, and practice of, digitizing the Integrated Report. This could assist with precis and extraction of key information.
- ‘Text-mining’ was increasingly being used to analyze key messages and emphases, and analytics were becoming more efficient. Other important information sources included Facebook, SMS, LinkedIn and other networks and providers of ‘big data’, to assess whether companies were doing what they claimed.

3 Approvals and committee report

3a) Minutes of previous meeting and matters arising

The minutes of the Council meeting held on 11 October 2017 were approved without revision or comment. There were no matters arising.

3b) GAN Committee report

The GAN Committee report was received without comment.

3c) Directors’ Terms of Office

The Chair sought Council’s agreement to the proposed resolution recommending a change to the IIRC’s Charter regarding the start and finish dates of Directors’ terms of office. The resolution was agreed unanimously without comment.

4 CEO briefing and status updates

4a CEO Briefing

The Chair invited the Chief Executive, Richard Howitt, to present some highlights from his CEO Briefing. The Chief Executive stated that there was a very exciting week’s programme ahead with the joint ICGN – IIRC Conference, which almost all present would be attending.

He thanked the Japan Exchange group and JICPA as hosts and partners in these meetings, and noted that the previous meeting in Japan had taken place just before the adoption of the Integrated Reporting Framework, a significant juncture in the IIRC's evolution. He noted that three members of the IIRC's Board, Michael Bray, Louise Davidson and Izumi Kobayashi, were present, and welcomed them.

There was a growing research corpus demonstrating the benefits of <IR> and making the case for it. Investors did use integrated reports – the content and the quality of management and business strategy – to make investment decisions. The Chief Executive thanked PRI for their cooperation and support.

The IIRC's Board had recently reviewed the IIRC's strategy in the USA and China, and planned to accord both jurisdictions a higher priority, with an intention to identify pilot group of companies in China. The progress in Australia was particularly acknowledged, with good prospects of the Australian Corporate Governance Code adopting <IR>.

The IIRC was working closely with the World Bank, and had been reappointed to the B20, where the Chief Executive was serving on the Taskforce for Trust and Integrity. There had been positive developments in relation to the EU: the Non-financial Reporting Directive, and the High-level Expert Group on Sustainable Finance having stated that 'Integrated Reporting is the ultimate ambition'.

In its business networks, the IIRC's strategy was to develop and work through interest groups, including financial institutions; integrated thinking and strategy; and the 'hidden capitals', especially human and intellectual capital. Guidance documentation was also under development. There would also be an update on the Corporate Reporting Dialogue (CRD). A major effort was underway to align thinking on the various frameworks. The work of IASB on Management Commentary Practice Statement was acknowledged, and would also be the subject of an update presentation. In a further encouraging development, the IIRC would participate on a conference on 'Inclusive Capitalism at Work' in London in March.

The Council Chair invited Michael Bray to summarize recent developments in Australia. Michael Bray noted that Australia did not have mandatory use of integrated reporting, but relied on the business case for it. The country was at the early stages of adoption. Investors were making more vocal demands; some pension funds were seeing the benefits; and there was a stronger dialogue developing between companies adopting integrated reporting and investors. The two chief barriers were Directors' liability; and the view of integrated reporting as 'just more reporting'; but perspectives on this were shifting. Australia was struggling to keep pace with the UK, Japan and others, but the mechanism to use was the IIRC's corporate reporting mechanism. Michael Bray noted that Prof Mervyn King had received an honorary doctorate the previous week at Deakin University, which was seeking to be a leading player in the academic network on integrated reporting globally.

The session then opened up to questions and comments. Points made in discussion included:

- Welcoming the progress in rationalizing the various frameworks; the IIRC had compiled a competency framework for the professional accountancy business a few years back, and integrated reporting was about insight and foresight, not only compliance.
- Integrated reporting helped report performance, strategy and prospects, based on how the business plan told the corporate story.
- IFAC was currently updating its guidance on roles and competencies for the accountancy profession.
- The ICGN perspective was that the investor community was challenged; it was difficult to monitor it on a very slim budget. The IIRC had a role to play in helping investors derive better assurance

from integrated reports, and to facilitate judgements on which reports were the better-quality ones.
- There was an inherent tension in the assessment of integrated reports, between consistency and comparability; reports were unique and told individual stories. It was timely for the IIRC to contribute to this evolving debate; and internal auditors could also provide this assistance.

4b Breakthrough Phase Review Summary

Jonathan Labrey opened the session by presenting some summary slides. He noted as wider context, at the recent World Economic Forum in Davos, a presentation by Indra Nooyi, CEO of PepsiCo, of its international operating environment, and its strategy of 'performance with a purpose', in responding to megatrends.

The IIRC had also looked at the megatrends influencing how integrated reporting could be advanced. In an increasingly polarized world, the IIRC was a convener in the face of forces towards separation. Fundamental improvements to the global financial system were needed. This was the backdrop for assessing what had been achieved. There was academic and anecdotal evidence of a lower cost of capital, increased share performance, and more educated investors. There had been major breakthroughs in adoption in South Africa, Japan and other specific markets; and increased regulatory action and investor endorsement.

Some current priorities included:
- The quality of integrated reports was important, not simply the number of companies adopting integrated reporting. Target markets such as the USA and China needed stronger focus.
- It would be unwise to move to the global adoption phase prematurely.
- The management team and Board were assessing the IIRC's achievements and performance against plans.
- The Board had adopted a 3-year momentum phase at its meeting in January 2018.
- 'Momentum' was defined as 'a strength or force that allows things to move faster or more strongly'.
- A stronger investor focus and more regulatory endorsement were needed: integrated reporting needed to feature explicitly in corporate governance codes.
- The IIRC also needed a cogent theory of change.
- By the end of the Momentum phase, as the IIRC shifted into the Global Adoption Phase, integrated reporting should be mainstreamed, with the 'endgame in sight'.
- We needed to articulate 'proof points' along that journey.

The session then opened up for comments and questions. Points noted in discussion included:
- The fact that Europe had not been specifically mentioned was not an 'omission'; the IIRC had focused on areas where breakthroughs were still needed. The next phase was to look at priority markets.
- The material presented would be further developed for use in launching the momentum phase.
- Country strategies were still to be developed for specific priority markets such as India and Brazil.
- A question was raised regarding the credibility of the study which had found that organizations using integrated reporting obtained higher returns (the query arising as cohort studies typically took several years to yield such results). In response, Jonathan Labrey cited the Nanyang University Singapore 2016 study, and Prof Gillian Yeo's study of South Africa 2011-2014; these did appear to substantiate correlation and causation (applying 'Tobin's Q', they found a 9% increase).
- It was noted that the 'three Es', 'education, engineering and enforcement', were the three stages of a theory of change; and the IIRC seemed to have a combination of all three. The Chief

Executive noted that the IIRC did not do the 'third E, enforcement', but could support others to do it.

- It was queried how the quality of reports could be upgraded; this was for the content providers to address. The IIRC did perform significant work analyzing the quality of reports, and did consider that it was improving.
- There was not a great deal of research on how corporate culture affected adoption of integrated reporting, and this was a fruitful area for further scrutiny.
- Effective leadership had an obligation to respect the constrained natural resource environment.
- A key role of the CRD was convening and supporting dialogue to try to ensure greater alignment of frameworks.
- The IIRC could play a useful role in stimulating research; robust research evidence was needed.
- Current work on metrics focused on aggregating the findings of a range of different studies.
- Whilst the IIRC was market-led and principles-based, we did also need to be advancing the 'understood metrics', and the Board was seized of this need.
- The Momentum Phase would set and work to specific objectives.
- The IIRC did believe that its framework was universal in its application. It had deliberately started with capital markets, but was increasingly looking at companies with different models of ownership, which implied a richer and more diverse cross-section of companies in the Momentum phase; and could also reflect 'trickle-down', from larger companies adopting, to SMEs and private companies.
- Research needed to be persistent, in order to secure the ongoing commitment of the business network. The IIRC was developing a programme of engagement with the business network, though it had, to date, been more focused on supporting companies, rather that insisting that they reference integrated reporting. It was now clearer that, once a company had the commitment of the CEO and CFO, they could make behavioural change.

5 Management Commentary Practice Statement

A presentation on the IASB's Management Commentary Practice Statement (MCPS) was made by Gary Kabureck, a Board Member of the IASB, who had been the IASB's representative on the Corporate Reporting Dialogue (CRD) since the outset. The IASB acknowledged that the MCPS, which was voluntary system, needed updating to reflect the growing importance, in relative terms, of wider corporate reporting rather than financial reporting alone. The IASB would remain investor-focused and principles-based. The question was: which principles. They included longer-term focus; materiality; a basis in business model and business risk; and forward-looking statements. IASB anticipated a 15-month to 18-month timeframe to provide the new template, and all elements of it would remain tentative until the template in its entirety final.

In discussion, it was observed that it was desirable to avoid confusion between and about guidance bodies, or proliferation of the frameworks they produced. The IASB intended to borrow from other good frameworks in developing the MCPS. Due process and structure were very important and a key strength of IASB. In addition, the IASB's presence in over 140 countries gave it a reach and influence that set it apart from other standard-setters.

6 Update on Corporate Reporting Dialogue

Ian Mackintosh offered a presentation on the Corporate Reporting Dialogue (CRD). The CRD was a platform of 7 participating reporting frameworks and one observer, working towards greater coherence, consistency and comparability. It had 8 current activities:

- External events – responding to speaking invitations

- A Global Investor Committee
- A paper on the SDGs
- A paper on value of transparency
- Liaison with the preparer community, which was at the initial stage of agreeing topics (the same applied to liaison with regulators)
- The IASB Management Commentary project
- The IAASB project on external reporting
- An alignment project.

The Proposal submitted to Bloomberg in early October 2017 was taking time to progress, but there might be an assurance of finance forthcoming shortly. The work set out in the Proposal had therefore been delayed starting, but would make an important contribution; its main focus was on alignment of metrics, communications, and some core funding for necessary expense*s.*

7 Strategy Discussions

7(a) Strategy Discussion Session 1: Capitalism in a multi-capital world

This session took the form of an opening panel; then breakout groups; and finally a plenary discussion. The panellists were: Jessica Fries, Executive Chair of Accounting for Sustainability Project (A4S), as Session Chair; Michael Bray, IIRC Director and KPMG Fellow of Integrated Reporting, Deakin University; Richard Chambers, President and CEO, the Institute of Internal Auditors; and Susanne Stormer, Vice-President of Corporate Sustainability, Novo Nordisk.

Jonathan Labrey introduced the session, noting the growing concern about sustainable and responsible capitalism, and the need for a longer-term perspective. Jessica Fries noted that the session would consider how <IR> could contribute to these desirable developments. The session would be held in conversational format.

- Susanne Stormer noted that Novo Nordisk had been involved in integrated reporting since 2004. Novo Nordisk now had formal support from senior management for integrated reporting. Challenges remained, including use of the six capitals, how they were deployed, and having a language to account for their use.
- Michael Bray observed that the six capitals were not new, but having a framework for them was new. Many companies might have only 10% or less of their value attributable to financial capital.
- Richard Chambers considered that accountancy has been moving 'from hindsight to insight' and needed to get to foresight. There was a need to look more closely at the nature of the business and its processes.

Jessica Fries asked the panel for whom companies were creating value, and whether it was for contributing to social trust, public goods, or assurance.

- Susanne Stormer responded that this depended in part on how companies valued their reputations. Even when using integrated reporting, one could be under-reporting (if there were a high proportion of intangible capitals). Therefore we needed more sophisticated, and also more forward-looking, metrics.
- Michael Bray considered that pension funds needed to be mobilized for the six capitals. Trust and transparency were a key area for IIRC to be engaged with.

The session then opened up to wider comment and question. In discussion, the following points were made:

- Water and energy were clearly key sectors, as was the question of how integrated reporting had influenced consumption patterns. We needed to measure performance over more than a year.
- Citing the example of Unilever showed how it had linked its growth goals to the concept of environmental limits. The question was how to get the investors engaged with the asset owners, and this might be a key area for IIRC focus. This was a clear area of strategic risk, and corporate management should be advocating a broader view.
- The integrated report was the instrument and vehicle for presenting the character of the company.

Council then broke out into four discussion groups to debate these issues. 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 are presented at **Annex II**.

There were four Groups.
Group A. Facilitation: Zinga Venner, Note-taker: Camilla de Ste Croix
Group B. Facilitation: Veronica Poole, Note-taker: Philippe Peuch-Lestrade
Group C. Facilitation: Stathis Gould, Note-taker: Liz Prescott
Group D. Facilitation: Michael Gebbert, Note-taker: Yvette Lange.

Council reconvened in plenary, and the Council Chair invited facilitators to report back briefly.
The two questions which all four groups had been asked to consider were:
Q1 How could IIRC contribute to a vision of multi-capitalism?
Q2 What was the role of the different stakeholders in the IIRC coalition?

Group A:

- The IIRC should focus more on resources, and less on the political question 'is capitalism broken?'
- Integrated reporting provided a mechanism to tell the story of long-term value-creation, and to create and execute strategy.
- Challenges included: how to bring ethics back into finance; how to engage preparers more – the IIRC had a role in this; and assessing the management commentary.
- The IIRC Council members should be advocates.
- The Integrated Reporting Framework was a mechanism for bringing in the non-financial capitals.

Group B:

- The IIRC could adopt a strategy of assertive advocacy.
- The IIRC and its Council could provide guidance on the application of multi-capital models.
- Strategic alliances were needed, e.g. on metrics.
- More robust research was needed to back up the claims made for integrated reporting.
- More relevant and concise reporting (not only rules and compliance).
- Greater regulatory stimulus was needed.

Group C:

- The IIRC was seeking to articulate notions of multi-capitals that were more globally or generally applicable e.g. the SDGs.
- The best way to achieve the principles was by using integrated reporting as an effective tool and a channel, and with policy-makers explicitly referencing integrated reporting.
- It was also necessary to overcome the separation of reporting and governance; these were still 'silo-ed' in too many companies.

Group D:

- The IIRC could contribute by: offering training; sharing best practice in accounting for intangibles; and promoting thinking in a more holistic approach.
- The role of different stakeholders in the IIRC coalition was to: proactively develop best practice; undertake skills development in integrated thinking, e.g. in universities; and, for investors, to articulate more clearly what non-financial information they wanted.

After these reports from break-out group facilitators, the Council Chair brought session 7a to a close.

7(b) Strategy Discussion Session 2: Market Impact of Technology on Corporate Reporting

The Panellists for this session, held in panel discussion format, were: Mandy Kirby, Director of Reporting, Assessment & Accountability, PRI as Session Chair; John Turner, CEO, XBRL International; and Yoshiaki Wada, Senior Manager, NTT Data Systems Technologies.

The session Chair, Mandy Kirby, noted that investors played a central role in driving the pace of reporting innovation. Change might therefore not always be at a fast pace and indeed some might be wary of technological and cyber risks. However, the PRI's annual surveys showed that ESG was now a factor in investment decisions. Investors needed to be able to access and trust the data and information. A key question was how technology could narrow these gaps and how wider information could be made more readily accessible for the purposes of analysis and investment decisions.

John Turner noted that XBRL International was a global not-for-profit, set up in 2001, which provided technical standards for data analysis. These were used for filing public company reports, and breaking down information and data silos within and between companies. The overall context was the increasing and rapid digitization of all aspects of our lives. Investors were, and should be, conservative with other people's money. Part of 'moving upstream' was to make integrated reporting central to how organizations worked. The IIRC should recognize that this was a long-term process, with the goal to build companies and organizations to be resilient. In order to obtain the most benefits from information, companies needed to define their KPIs in a digital format; this would require significant change in how systems, processes and teams operated. Investors wanted to be able to make comparisons, and this in turn also required coordination between frameworks. XBRL could engage further with the IIRC on data discovery, especially considering the potential for more consistent analysis of narrative information.

Wada-San noted that recent trends in investment exhibited a shift from active to passive investment; the current ratio was 20:80. Artificial intelligence (AI) was a possible solution to providing better analysis in the digital world, but it could not be viewed as enough on its own. Comparison required similar categories of data (headings structure) and of file format; .html or .pdf differences did not assist or support this, and format changes from year to year made matters worse. XBRL enabled data mining and comparison. AI would play a key role for data analytics, and data would need to be structured and standardized. We then needed to ensure that analysts and others were able to access and use the information in a way that enhanced its value in the context of decisions.

The session then opened up to questions and comments. Points made in discussion included the following.

- There was a serious issue with the lack of comparability of data; taxonomies and data dictionaries would be needed to enable comparisons, but different users would define comparability differently.
- It was, nevertheless, becoming possible to deploy data analytics much more rapidly, or even in real-time.

- One way to achieve gains was to reduce the cost of reporting, for example, by getting governments to standardize and simplify data definitions.
- We also needed a more 'comprehensive' picture of the company, not only a 'comparable' one. This meant obtaining a balance between providing an adequate view of the context of the organization's performance and prospects and comparable data sets.
- Technology would be essential to enhance quality and consistency of information within the organization. The value of this would enhance integrated thinking and decision making.
- Technology would also be essential if we were reporting different information sets to different audiences, or to bring about greater capabilities in data analytics. This also included the opportunities to help analyze narrative information, e.g. around strategy and business model, and capitals used and affected.

The overall conclusion of the session was that technology and digitalization were important themes for the adoption of integrated reporting. Corporates in the room noted this strongly, seeing that reporting has become so complex and better tools were required to help with data capture, analysis and dissemination. While the IIRC was not itself a 'centre of excellence' on technology, it nonetheless needed to continue to monitor developments and actively encourage innovation. The role that the integrated reporting network could play in this respect, especially the technology companies which were represented in it, was acknowledged as an important means for the IIRC to contribute to the thinking. The IIRC should also consider technology and its impact in the development of its strategy and partnerships.

8 AOB

The Chair stated that the meeting had been productive and successful. He thanked the Tokyo Stock Exchange and its staff for their hospitality.

The Chair thanked Council for their attendance and inputs, and looked forward to seeing them again in Paris on 4 October 2018. He wished them safe travels home, and invited them to join the drinks reception. He closed the meeting at 15:25 (JST).

Annex I

Attendance List

Present

Members/alternates			
Mervyn	King	Chairman of the IIRC Council	
Dunstan	Allison-Hope	BSR	
Richard	Chambers	IIA	
Juan	Costa Climent	EY	(For Mark Weinberger)
Henning	Dräger	BDO	(For Keith Farlinger)
Jessica	Fries	A4S	
Michael	Gebbert	EnBW	(For Thomas Kusterer)
Alan	Hatfield	ACCA	
Obiora Francis	Ike	Globethics.net	
Gary	Kabureck	IASB	(For Hans Hoogervorst)
Dongsoo	Kim	Korea Productivity Centre	(For Chun Seon Lee)
Mandy	Kirby	PRI	(For Fiona Reynolds)
Stefan	Mihailovich	CPA Canada	(For Joy Thomas)
Anne	Molyneux	ICGN	
Loshni	Naidoo	South African Institute of Chartered Accountants	(For Terence Nombembe)
William	O'Mara	KPMG	
Veronica	Poole	Deloitte	(For David Cruickshank)
John	Purcell	CPA Australia	(For Adam Awty)
Takafumi	Sato	Japan Exchange Group	
Aiko	Sekine	JICPA	
Susanne	Stormer	Novo Nordisk	
Jeffrey	Thomson	Institute of Management Accountants	
Charles	Tilley	AICPA and IFAC	(For Rachel Grimes)
Hidemi	Tomita	GRI	(For Tim Mohin)
Rocky Yat Ngok	Tung	CFA Institute	(For Sandy Peters)
Zinga	Venner	World Bank	
Stefano	Zambon	WICI	
Lin	Zhu	Ministry of Finance, China	
Observers			
Jose	Alcorta	ISO	
Guests			
Paul	Chan	IIRC Ambassador	
Akitsugu	Era	BlackRock Japan	
Stathis	Gould	IFAC	
Hakyung	Kim	Korea Productivity Center	
Sohyun	Kim	Korea Productivity Center	
Keiko	Kishigami	JICPA	
Bernard	Lauwers	World Bank	
Ian	Mackintosh	Chair of Corporate Reporting Dialogue	
Brad	Monterio	Institute of Management Accountants	
Yoichi	Mori	JICPA	
Kathleen	Muller	SAP	
Cyndi	Plamondon	IIA	
Takayuki	Sumita	Cabinet Office, Japanese Government	
John	Turner	XBRL International	
Yoshiaki	Wada	NTT Data Systems Technologies	
Yuki	Qian	ACCA	
IIRC Directors			
Michael	Bray	IIRC Director	
Richard	Howitt	IIRC Chief Executive Officer	
Izumi	Kobayashi	IIRC Director	
IIRC Team			
Camilla	de Ste Croix		
Lisa	French		
Alexandra	Jones		
Jonathan	Labrey		
Yvette	Lange		
Hiroko	Ozawa		
Philippe	Peuch-Lestrade		
Liz	Prescott		
Neil	Stevenson		
Norie	Takahashi		

IIRC Council
Meeting of 27 February 2018
Minutes

Apologies

Members			
Peter	Bakker	Co-Deputy Chair of the IIRC Council	
John	Stanhope	Co-Deputy Chair of the IIRC Council	
Paul	Andrews	IOSCO	
Adam	Awty	CPA Australia	Represented by alternate
Koushik	Chatterjee	Tata Sons	
Angela	Cherrington	GNDI	
Sok Hui	Chng	DBS	
Mahendra K.	Chouhan	Asian Centre for Corp. Gov. & Sust.	
Timothy	Christen	AICPA	Proxy to Charles Tilley
David	Cruickshank	Deloitte	Represented by alternate
Vania Maria	da Costa Borgerth	BNDES	
Jean-Charles	de Lasteyrie	French Interest	
Cobus	de Swardt	Transparency International	
Yogesh Chander	Deveshwar	CII	
Morne	Du Plessis	WWF	
Robert	Eccles	Said Business School at the University of Oxford	
Michelle	Edkins	BlackRock	Represented by alternate
Keith	Farlinger	BDO	Represented by alternate
Margaret	Foran	Prudential Financial	
David	Frick	Nestle	
Rachel	Grimes	IFAC	Represented by alternate
Steve	Gunders	SASB	
Naveen	Gupta	Institute of Chartered Accountants of India	
Farha-Joyce	Haboucha	Rockefeller	
Stephen	Harrison	Global Accounting Alliance	Proxy to chairman
Hans	Hoogervorst	IASB	Represented by alternate
Rodney	Irwin	WBCSD	
Michael	Izza	ICAEW	Proxy to chairman
Frank	Klein	EFFAS	
Claudia	Kruse	APG Asset Management	
Thomas	Kusterer	EnBW	Represented by alternate
Chun Seon	Lee	KPC	Represented by alternate
Mindy Lubber	Lubber	CERES	
Eliane	Lustosa	IBGC	
Tim	Mohin	GRI	Represented by alternate
Mark	Moody-Stuart	Foundation for the Global Compact	
Robert	Moritz	PwC	
Terence	Nombembe	SAICA	Represented by alternate
Edward	Nusbaum	Grant Thornton	
Saker	Nusseibeh	Hermes	
Geert	Peeters	CLP	
Sandy	Peters	CFA Institute	Represented by alternate
David	Pitt-Watson	UNEP FI	
Fiona	Reynolds	PRI	Represented by alternate
Welington	Rocha	FIPECAFI	Proxy to chairman
Richard	Samans	CDSB / WEF	
Paul	Simpson	CDP	
Liz	Stamford	CAANZ	
Joy	Thomas	CPA Canada	Represented by alternate
Daniel	Tisch	Global Alliance for PR and Comms Mgt	
Angeli	Van Buren	Eumedion	
Mark	Weinberger	EY	Represented by alternate
James	Zhan	UNCTAD	
Member to be confirmed		RPMI Railpen	
Observers			
Pablo	Perez	FSB	
Robin	Edme	Group of Friends of Paragraph 47	
Russell	Golden	FASB	
IIRC Directors			
Helen	Brand		
Alexsandro	Broedel Lopes		
Aron	Cramer		
Louise	Davidson		
Barry	Melancon	Chairman of the Board	
Jeanne	Ng		

David	Nussbaum
UK	Sinha
Christian	Thimann

Annex II

Strategy Breakout Group Sessions on Capitalism
Summary of the Discussions of the three groups

There were four Groups.
Group A. Facilitation: Zinga Venner, Note-taker: Camilla de Sainte Crois
Group B. Facilitation: Veronica Poole, Note-taker: Philippe Peuch-Lestrade
Group C. Facilitation: Stathis Gould, Note-taker: Liz Prescott
Group D. Facilitation: Michael Gebbert, Note-taker: Yvette Lange.

Group A:

- Ethics and inclusive capitalism should include a fairer sharing of the earth's resources. We could use the lens of capital allocation and market exchange to link integrated reporting to this
- How will capitalism evolve in the next 25 years (noting the rise of China)?
- There is tension between the need to recognise multiple capitals and always putting a financial value on things.
- The narrative is becoming more important in a populist political environment.
- Information shapes perception and behaviour – the information set will change.
- More examples of not-for-profits using <IR> would help illustrate its broader value.
- The IMA has been able to show how some of their value was created by society.
- The supply chain is an important part of broader global value creation and connectivity.
- Integrated reporting helps to articulate what is missing from the balance sheet, which is useful even if you can't put a value on it.
- The financial indicators should be considered as 'lag indicators' of the other capitals.
- Even if you cannot quantify something, you can still describe it.
- If the system is broken, is that a culture problem or an ethical problem.
- A financial market with no ethics destroys its own environment.
- Education is important: the more people who understand connectivity, the better the decisions that are made.

The stakeholders' role:

- We need more engagement in our strategic discussions from report preparers, particularly to explore the link between integrated reporting and integrated thinking, and to show how integrated reporting helps with strategy and decision-making (too often seen, especially in USA, as only an external reporting exercise).
- Integrated reporting has the flexibility to be used by many different types of organisation, including the public sector, and we need to encourage more examples from more diverse organisations.

Group B:

The IIRC is best positioned to assist in:

- Advocacy strategy vis a vis influential organisations on the global stage e.g. OECD
- Making corporate reporting better for better decision-making.

Research must be encouraged (perhaps through a dedicated foundation) in order to fuel the message and to spread it.
Partnerships are needed in order to set up the metrics.

The multi-capitals concept should be better explained in order to avoid confusion on the part of stakeholders.

Stakeholders' role:
Board members have the capacity to address the issues differently (i.e. towards integrated thinking).
A key question for top executives is how the company should engage its investors.
The mind-set of the investor community is changing, and we have to highlight this positive evolution.
There is a need for some kind of support from regulators, tier by tier: agency, local authorities, government, international bodies.

Group C:

What does Inclusive Capital mean?
- Broadly speaking, the mind-set of the corporation as a global citizen and the responsibilities that entails.

What should we be working towards? What are the levers we should be pulling?
- We need explicit reference to integrated reporting and the Integrated Reporting Framework, e.g. the UK FRC could reference the Integrated Reporting Framework in Strategic Report guidance.
- Explicit references to <IR> framework in Corporate Governance codes.

The integrated reporting concept of value creation:
- At the heart of the Framework is value creation for the organization as well as for others
  - This aligns with the concept of inclusive capitalism.
  - A mind-set shift is needed to recognise you need to create value for your organization AND for others.

Inclusive capitalism may need different approaches to achieve change, depending on the market and the different connotations associated with financial capitalism. The change from traditional financial capitalism to inclusive capitalism is difficult for some markets
  - Is multi-capital discussion a better approach?
  - The meaning of the terminology depends on the perspective taken. Is it better to talk in terms of the SDGs? The SDGs provide a way for companies to align their strategy with a wider societal purpose.

Integrated reporting and corporate governance
- We need to reinforce that integrated reporting is a business process rather than a reporting process.
- Does the terminology "integrated reporting" limit perceptions of its value by focusing on reporting and not considering/giving enough weight to integrated thinking?
- We need to make a stronger link between integrated reporting and good corporate governance, and stronger links between the IIRC and governance organizations and corporate secretaries' associations, such as the Society for Corporate Governance in the USA.
- The IIRC needs to get on conference agendas for governance bodies and invite them to become Council members.
- Integrated thinking is generally not yet mature enough to be properly reflected in high quality integrated reports.
- A link to COSO should be explored. COSO presents itself as a thought-leader; it would be good to get COSO to endorse the Integrated Reporting Framework.
- Strong focus on Board education is needed.
- A possible step change could be to require directors to "attest" to language that aligns with the Framework e.g. balance, as first step in moving towards integrated reporting.
- Galvanise investor support to apply pressure on directors.

Group D:

- Black Rock CEO has stated that companies do not do enough to show protection of the long term interest of investors and that companies must make a positive contribution to society.
- Five years ago, financial risks dominated companies risk registers, whereas now more intangible risks dominate risk registers, for example, cyber threats.
- Technology is a megatrend, affecting businesses in terms of staff and operations. Another megatrend is natural resource constraints.

The IIRC's role:

- There is a need to learn how to account for all of the capitals.
  - Accounting for financial capital is there, whereas accounting for social and relationship capital is the least understood – with the other capitals in the continuum in between.
  - Accounting for capitals does need to happen in a consistent way, as investors do look for comparability.
- The IIRC's role could be a convenor in terms of developing a consistent way of accounting for all of the capitals.
  - The IIRC should support development of a consistent way of accounting for intangibles, so that companies can account for the lasting impacts of investments made.
- The multiple capitals approach is the IIRC's key contribution to this question.
  - Each company is different, but the IIRC can share best practice around reporting on the various capitals.
  - The IIRC's perceived ownership of the capitals space is currently underutilized.
  - It would not be the goal to monetize accounting for the capitals but to provide ways to account for the organisation's value creation and destruction across the capitals.
  - The IIRC has the ability to bring all these pieces / elements together.
  - The IIRC can assist the market to recognize that there is no hierarchy in the capitals and that all are interconnected.
- There is no doubt about the need for inclusive capitalism.
  - Governance is an important issue; it is up to the Board to make "correct decisions" on all of this.
  - Companies should be judged on each of these topics ("capitals") when evaluated for investment purposes. Many companies only want to address financial stakeholder interests.
- The IIRC has recently ramped up efforts around the Academic Network.
  - The mind-set of the new generation of professionals / accountants need to change, and, to this end, professional bodies must get closer to the universities.

The role of stakeholders in the coalition included:

- Assurance providers should be a lot more proactive on this matter, to ensure the quality and consistency and comparability of reports produced.
- There is a need to get closer to the skills development bodies.
  - Outsourcing training efforts was resulting in IIRC perspectives on the Framework concepts not being conveyed adequately.
  - Generally there is a need for more investment and focus on education at all levels, for all stakeholder groups and for all roles.
- There is a need for evidence (research) to really demonstrate benefits of integrated reporting and approach.
- Specifically, there is a need for having investors articulate what they are really looking for.