

## <IR> Framework Panel: Meeting of 24 April 2018

<b>Time</b>	12.00 pm – 2.00 pm (GMT)
<b>Members/TAs</b>	Erik Breen (Chair), Jean-Luc Barlet, Sarah Bostwick Stromski, Yoichi Mori, Rodrigo Morais, Nancy Kamp-Roelands, Hugh Shields, Jason Voss, Zubair Wadee
<b>IIRC</b>	Lisa French, Richard Howitt, Yvette Lange, Laura Leka, Liz Prescott
<b>Apologies</b>	Lothar Reith, Tom Roundell Greene, Roger Simnett
<b>Minutes</b>	Liz Prescott
<b>Agenda</b>	<ol style="list-style-type: none"><li>1. Welcome and attendance</li><li>2. Minutes of previous meeting and matters arising</li><li>3. Progress update: Guidance proposals</li><li>4. Progress update: Guidance outputs</li><li>5. Progress update: Research proposals</li><li>6. Ongoing discussion with others</li><li>7. Technical programme</li><li>8. Any other business</li><li>9. Conclusions and next steps</li></ol>

### 1. Welcome and attendance

The Chair welcomed panel members and noted apologies.

### 2. Minutes of previous meeting and matters arising

Minutes of the 20 February 2018 meeting were distributed for comment on Tuesday 6 March 2018. Silence was taken as consent, and the minutes were accepted without change.

### 3. Progress update: Guidance proposals

**3a. Getting Started Guide.** IIRC staff presented a revised proposal, reiterating that the Guide would focus on practical implementation over theory. Panel members agreed the approach and offered the following comments:

- Graphics should show process considerations, including possible routes (depending on the nature of the organization), time frame and critical functions involved.
- The IIRC should identify its complementary guidance and consider, in time, revising the Guide to reflect further work (e.g., planned guidance for SMEs, public sector and not-for-profits).
- <IR> Training Programme material should complement the Getting Started Guide.
- Report preparers large and small might use the Guide to fine-tune their integrated reports.

**3b. Statement by those charged with governance.** IIRC staff introduced a project proposal describing the development of a related Practice Note. The Practice Note should help preparers: (i) understand the value of the statement required by Paragraph 1.20, (ii) become comfortable including such a statement and (iii) develop concrete plans to fulfill the <IR> Framework requirement. The Practice Note should include two elements, presented in two parts:

- Clarity on the *spirit and intent* of the Statement
- Practical steps aimed at those who make or support the Statement, including key milestones for Board involvement during the preparation of the integrated report.

Panel members provided the following comments:

- The need for Board oversight of report preparation is a strength of the <IR> Framework; this reinforces the governing body's role in integrated thinking and credible disclosures. The

Practice Note should provide balanced treatment of the *Statement* and the *process* that enables the Statement. The latter should address: (i) who to involve in the process and when, (ii) related risks and opportunities for Board consideration and (iii) parallels to statements of responsibility in financial reporting and Letters of Representation in assurance engagements.

- Although the Practice Note will target those directly involved in report preparation, a Board-oriented synopsis would also be useful.
- Reference to complementary material (e.g., ICGN guidance) and related institutional support should be considered. Links to corporate governance codes should be made, where possible. The existence of one- and two-tiered boards could also be acknowledged.
- In addition to inviting Business Network input on the Practice Note, the IIRC should seek views from investors and companies that have not yet adopted integrated reporting.
- In some regions, CEOs and CFOs oversee the reporting approval or certification process. Specific guidance on how Boards can get involved would be helpful in such markets.
- The Practice Note could provide a platform for recommendations to governments and policy-makers about Board involvement in the reporting process.

#### 4. Progress update: Guidance outputs

**4a. Frequently Asked Questions (FAQs).** IIRC staff shared the proposed sequencing of new topics to be covered by FAQs: (i) stakeholders' needs and interests, (ii) conciseness, (iii) disclosure of opportunities and (iv) competitive landscape and market positioning. Draft FAQs on *Governance* and *Value creation* were discussed, with Panel members offering the following feedback:

- Many organizations state their mission and vision in investor-oriented disclosures. The FAQs should suggest that organizations include, or connect to, such disclosures to explain how *purpose* links to value creation.
- The contribution of the *governance structure* to value creation should also be addressed.
- Illustrative examples should be provided through cross-referencing to the Examples Database; the positioning of examples as *non-prescriptive* guidance should be emphasized.
- The value creation FAQs ought to better address the use of and effects on the capitals.
- It may help to organize FAQs by audience, recognizing that there are cross-cutting themes.

**4b. Leading practice in Examples Database.** IIRC staff noted the conclusion of a review of the *Getting Started* module and resulting action plan for the IIRC's database partner. The action plan includes revised wording to reflect an evolution from 'getting started' to 'leading practice'. Panel members reiterated support for fewer examples and a stronger focus on quality. Staff shared plans to update the <IR> *Reporters* module to include new examples and remove erroneous content (examples must make direct reference to, or show clear influence of, the <IR> Framework). Procedures for the future selection of examples are underway.

#### 5. Progress update: Research proposals

**5a. Implementation by SMEs, public sector entities and not-for-profits.** IIRC staff introduced a proposal aimed at encouraging uptake of integrated reporting by these sectors. The proposed research should: (i) showcase adoption through case studies, recognizing the challenge of securing real-life public sector examples, (ii) explore factors impeding implementation by these sectors and (3) cite relevant guidance. Research could be fully outsourced or conducted with external partners. Panel members raised the following points:

- While the output should emphasize the '*how*' of integrated reporting, it should also identify the '*why*' (i.e., the business case).
- The role of capital providers in the public sector is unique and may warrant special attention.

- Although SME guidance exists, the IIRC could sharpen its focus on long-term value creation (perhaps profiling a given sector and related issues) to reinforce this mindset.
- Given the volume of actions arising from the Framework Implementation Review, the relative priority of this project was questioned. It would seem logical to pursue broader implementation guidance before targeting a particular sector. The Chair noted the concern and suggested Technical Programme refinements be tabled until the end of the meeting.

## 6. Ongoing discussion with others

**6a. Multiple capital metrics.** IIRC staff summarized work on mapping metrics-oriented initiatives to the <IR> Framework's *non-financial* capitals (in this case, human, intellectual, social and relationships, and natural). This analysis, and a possible need to close measurement gaps, were raised preliminarily during the Corporate Reporting Dialogue's Oct 2017 meeting. However, the final analysis showed good coverage of the aforementioned capitals by speciality frameworks and standards. On this basis, the IIRC's efforts are better placed educating the market about the measurement options available – and showcasing these options on an illustrative basis – than filling assumed or perceived gaps. With this in mind, the internal analysis could be repackaged and/or incorporated into the IIRC's planned guidance on multiple capitals.

**6b. Credibility and trust – audit and assurance.** IIRC staff noted involvement in Phase 1 of the IAASB's project on *assurance over emerging forms of external reporting*. ABN AMRO's 2017 Integrated Report, which received limited assurance against the <IR> Framework, was also noted. A Panel member shared that Philips had reasonable assurance over its integrated report, but did not refer to the <IR> Framework as a whole. It was acknowledged that IAASB's project extends beyond integrated reporting alone; on this basis, it is premature to expect its standards to focus on this report form. The discussion concluded with a comment on the progression of assurance of information provided under the EU Non-Financial Information Directive.

## 7. Technical Programme

The Chair sought Panel views on the Technical Programme and, in particular, the continued suitability of project timing and sequencing. IIRC staff noted a commitment to provide periodic updates to the market (per page 27 of the Summary Report, “[*The initial Technical Programme*] will be updated and reissued periodically to reflect changes due to, for example, further analysis of consultation feedback, project proposal decisions, revised estimates of resource availability, project completions and new project proposals.”). IIRC staff also noted the Panel's previous advice to postpone a Practice Note on *Materiality*. In lieu of this Practice Note, staff proposed an acceleration of the *Multiple capitals* guidance (Action 4), given its importance to the market. The Chair noted that a wider review of the Technical Programme and its prioritization of projects would be helpful. IIRC staff agreed to prepare a related paper for Panel discussion in June.

## 8. Any other business

One panel member noted, and was congratulated for, a recent university appointment as Professor of Non-financial Information, Integrated Reporting and Assurance.

## 9. Conclusions and next steps

The Chair thanked Panel members and IIRC staff for their comments and attendance. He noted the date of the next meeting as **Tue 19 June 2018** and a possible physical meeting in Paris in the first week of October (to be confirmed), and closed the session.