

# BUILDING MOMENTUM

IIRC Integrated Report 2018

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Scan to view  
the executive summary of  
the IIRC Integrated Report 2018

## ABOUT THIS REPORT

Our annual report for the year ending 31 December 2018 is in two parts:

- (a) **IIRC Integrated Report 2018** – this report is a concise communication about how we create value.
- (b) **IIRC Financial Statements 2018** – a separate report containing our full financial statements, prepared in accordance with IFRS as adopted by the European Union, and other statutory disclosures.

To balance the twin goals of conciseness and completeness we have used a variety of formats to meet the diverse interests of our stakeholder groups. As well as the PDF/printed version, we provide an interactive online HTML version which provides supplementary information and features that make it easier to find, extract and share information.

In addition, we have released an executive summary of the IIRC Integrated Report 2018 for mobile devices, ideal for those who want a quick read while on the go.

### RESPONSIBILITY FOR THE REPORT

**As the Board of the International Integrated Reporting Council (a company limited by guarantee), we acknowledge our responsibility for ensuring the integrity of our Integrated Report 2018. Together with management, and reflecting on our operating context, strategy and value creation model, we believe this integrated report addresses all matters that have, or could have, a material effect on our ability to create value. We have applied our collective mind to the preparation and presentation of information in this integrated report, which has been prepared in accordance with the International Integrated Reporting Framework (<IR> Framework).**

**We have examined the content and presentation of our Integrated Report 2018 to ensure application of the requirements summarized in the appendix of the <IR> Framework.**



Barry Melancon  
Chair of the Board  
5 September 2019

## ABOUT OUR MOVEMENT

**Integrated reporting is viewed by many as the next evolution in corporate reporting, an antidote to the narrow and siloed focus on short-term, financial profit of traditional annual reports which is now accepted to have far-reaching destructive consequences for the environment, society, and the economy.**

### THE TIME FOR CHANGE

Warren Buffett famously observed that, *“it takes 20 years to build a reputation and five minutes to ruin it”*. A world of specialisms has meant more complexity and an increase in organizational silos. As capital market behaviour evolves to value intangible assets, alongside the traditional financial and physical assets that have dominated our understanding of corporate performance for a century, tools are needed to break down silos to herald a greater understanding of value creation in the 21st century.

Trusted information and increased accountability help build a vital defence against the risk of damage to corporate reputation.

Integrated reporting helps companies to build this defence. The International <IR> Framework is the tool helping companies bring order to the multiple resources they use to create value over time. Integrated thinking fosters greater collaboration, increasing opportunities for commercial success. In a world of apparent contradictions – unparalleled interconnectedness yet increased polarization – integrated reporting is the tool that helps to unify and simplify the corporate reporting landscape.

Victor Hugo said that, *“nothing is as powerful as an idea whose time has come”*. In a world of rapid change, the time has come to evolve our corporate reporting model. The time has come for integrated reporting.

The International Integrated Reporting Council is leading a movement that is bringing about an evolution in the global corporate reporting model. Our philosophy is market-led and our Council comprises some of the world’s most prominent businesses, investors, accounting organizations, standard setters, regulators, and NGOs. We are proud of the role each of these organizations plays in creating the conditions for integrated reporting to become the global norm, whether through adoption, education, or advocacy.

### WHAT IS INTEGRATED REPORTING?

Integrated reporting is a process founded on integrated thinking that results in a periodic integrated report – a clear and concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, create value for its stakeholders in the short, medium and long term. The primary audiences of an integrated report are providers of financial capital, but it also benefits other stakeholders including employees, customers, suppliers, local communities, regulators, and policy-makers.

Integrated reporting is viewed by many as the next evolution in corporate reporting, an antidote to the narrow and siloed focus on short-term, financial profit of traditional annual reports which is now accepted to have far-reaching destructive consequences for the environment, society and the economy.

Integrated reporting incorporates financial reporting and sustainability reporting, but also provides a strategic view of an organization’s past performance and future prospects. It challenges the way companies think, plan, and report about the financial and other resources, or ‘capitals’, it uses and affects to create value – not confined to financial capital and accounting, or natural capital and sustainability reporting, but also embracing the other capitals: intellectual, human, social and relationship, and manufactured (including infrastructure not owned by the company). Integrated reporting is unique in that it considers these capitals in an interconnected way, considering how they interact with and impact one another, in contrast to standalone sustainability reports.

## WHAT SETS INTEGRATED REPORTING APART?

- **Grounding in integrated thinking and better business practice**, with the integrated report being an outcome of this process.
- **Focus on intellectual and human capitals.** We all know the critical importance of innovation, intellectual property, and technology to today's business models; integrated reporting ensures organizations are considering the impact of, for example, customer satisfaction, people engagement, and strategic alignment.
- **Integration of reporting across all six capitals.** Only integrated reporting has a focus on reporting across the whole range of capitals, which promotes connectivity rather than siloed reporting.

## WHO DOES INTEGRATED REPORTING BENEFIT?

- **Organizations** – integrated reporting helps organizations to understand and communicate their impact and how they create value in a holistic way. This improves relationships with all stakeholders, reduces cost of capital, and facilitates improved long-term performance and sustainable development.
- **Investors and other key stakeholders e.g., customers, employees, and regulators** – integrated reporting provides a comprehensive understanding of businesses and their prospects in the short, medium, and long-term, particularly enabling better informed investment decisions.
- **Society** – enhanced business and investor performance increases economic prosperity, while appropriate consideration and management of all the capitals over the short, medium, and long term promotes sustainable development and financial stability.

## OUR ORGANIZATION

The International Integrated Reporting Council (IIRC) is a global coalition promoting the worldwide adoption of integrated reporting to improve communication about value creation, advance the evolution of corporate reporting, and make a lasting contribution to financial stability and sustainable development [see our structure on → [page 9](#)].

Organizations represented on our Council are drawn from broad global communities, including the accounting profession, business, investors, NGOs, regulators, and standard setters.

We are the global authority on integrated reporting, having set out the fundamental concepts, guiding principles and content elements in the International <IR> Framework.

In a fragmented world, the IIRC is a convener, a coalition builder, and a driver of integration rather than separation.

### Vision

**A world that rewards long-term value creation for a business, its investors, and society to achieve broad-based and sustainable prosperity.**

### Mission

**Normalise integrated reporting and thinking within mainstream business practice in the public and private sectors.**

### Objective

**Change the corporate reporting system so that integrated reporting becomes the global norm.**

### Our commitment to the Sustainable Development Goals

We are committed to supporting the United Nations and its partners in building a better world in which no one is left behind. We reinforce the Sustainable Development Goals (SDGs) by encouraging organizations to consider, connect, and communicate their adherence to the SDGs, to the extent that their adherence to particular SDGs is significant to how they create value.



Our emphasis on the efficient and productive use of all forms of capital aligns with Sustainable Development Goal 12, which seeks to ensure sustainable consumption and production patterns. Integrated reporting is also an effective mechanism for monitoring the allocation of capitals, managing performance, and strengthening accountability in the public and private sectors.



As a broad coalition of businesses, investors, standard setters, regulators, and other key stakeholders, we support Goal 17 revitalizing the global partnership for sustainable development. Through our multi-stakeholder partnerships and extended networks, we are well positioned to influence regional and global policy and the decisions underpinning the flow of financial capital.

You can find information on specific work we have done around the SDGs in 2018 throughout this Report.

## FROM OUR LEADERSHIP

**2018 was a year of significant progress for the IIRC, marked by a gear change in our strategic intent as we moved from the Breakthrough to Momentum Phase of our strategy.**



**Barry Melancon**

Board Chair



**Charles Tilley**

Interim CEO



**Dominic Barton**

Council Chair



**Jane Diplock**

Governance and  
Nominations Committee Chair

As we entered 2018 the external context was clear. The landmark World Economic Forum Global Risks Report again pointed to a shift in the risk profile of the global economy towards intangible risks such as innovation, intellectual property, technology, climate change, sustainable development, and demographic changes.

Edelman's Trust Barometer revealed that levels of trust in information had fallen to new lows, placing even greater pressure on companies to better tell their own story of value creation. Against a background of falling trust and heightened awareness that climate change has become an existential threat to capital market stability, questions were being asked about whether capitalism itself needed reform to respond to these profound and seemingly permanent trends – and whether international institutions could marshal the tools to create a truly global response. As Indian Prime Minister Narendra Modi told his audience at Davos in January 2018, *“Everyone is talking about an interconnected world, but we will have to accept the fact that globalization is slowly losing its lustre”*.

The IIRC is alive to these risks. In many ways integrated reporting is a counterbalance to them. Our strategy recognizes not only that we live in a multi-polar and multi-capital world, but also one that is struggling to balance the needs of different stakeholders as well as the increasingly scarce resources our world consumes. We recognize that climate change is a capital markets issue and that

the information needs of businesses and investors must adapt to the changing context we live in today. And we believe that information on all the six capitals has a role to play in restoring trust in business, and rebalancing the conversation between businesses, investors and society. Ours is a global framework, and the connectivity of information is one of our guiding principles.

### STRATEGIC DIRECTION

2018 was a year of significant progress for the IIRC, marked by a gear change in our strategic intent as we moved from the Breakthrough to Momentum Phase of our strategy, launched at our October 2018 Council meeting and developed in consultation with both our Board and Council [[-> pages 12-14](#)]. With greater urgency we will engage in the key global markets of the USA and China, seek greater regulatory endorsement and engage more proactively in the market with technical aids and guidance to support the ease of adoption of our framework for businesses and use by investors and other stakeholders. This transitional period of three years will

prepare the IIRC and our stakeholders for the next big shift in our strategic direction – the launch of our ‘Global Adoption Phase’ 2021-2026.

## KEY ACHIEVEMENTS

2018 was a year of continued momentum towards the global adoption of integrated reporting. Third party research showed continued significant growth of adoption in markets of Japan and Australia [→ [page 19](#)]. EY’s 2018 global investor survey indicated that investors now consider integrated reports the most useful source of non-financial information [→ [page 21](#)]. We started developing a number of guidance documents to support practical implementation, due for publication in 2019 [→ [page 24](#)].

The landmark Better Alignment Project was launched in 2018 [→ [page 23](#)], a major two-year initiative of the Corporate Reporting Dialogue, to bring greater consistency, coherence and clarity to the corporate reporting landscape, a major objective of our strategy during this Momentum Phase.

The year also saw progress in other areas, with the launch of the IIRC’s Integrated Thinking and Strategy Special Interest Group [→ [page 20](#)] and our <IR> Academic Database with over 200 pieces of research and analysis. Our <IR> Technology Initiative produced a guide for chief technology officers to help them to have more meaningful conversations with finance teams to ensure businesses have access to the information and data they need. 2018 also saw greater advances in the regulatory sphere and we were pleased once again to participate in the B20 group of business leaders advising G20 governments under Argentina’s presidency. In Japan, the UK and Australia we gained increased explicit support from policymakers, setting a more conducive environment for adoption of integrated reporting [→ [pages 25-26](#)].

## PASSING THE BATON

We were delighted to announce the new chair of the IIRC Council – Dominic Barton, Senior Partner and former Global Managing Partner from 2009 to 2018 at McKinsey & Company [see more on → [page 14](#)].

We want to record the huge gratitude of the whole IIRC family to our outgoing Chair, Professor Judge Mervyn King, and look forward to our future work with him in his new role as Chair Emeritus. Professor King’s vision, determination and belief in the future we are creating together has been the driving force behind much of

the momentum integrated reporting has achieved over the last ten years. When Professor King helped found the IIRC back in 2010 integrated reporting was just an idea. He stepped down at a time when over 1,600 organizations in over 70 countries are adopting the principles of integrated reporting to inform the way they think, act and communicate about value creation.

We would also like to thank Richard Howitt, who stepped down as CEO in June 2019, for all his efforts to drive the growth of integrated reporting across the world. Charles Tilley, who has been part of the IIRC family since its formation and chaired the Technical Task Force that developed the <IR> Framework, has been appointed interim CEO to ensure stability and continuity while we seek new permanent leadership.

## FUTURE OUTLOOK

The IIRC has a bold and ambitious mission, yet we undertake our activities on limited resources and in a complex environment. It is our goal to simplify the corporate reporting landscape, and continue to pursue the twin goals of financial stability and sustainable development. While we are optimistic that we have continued on this path in 2018, we are aware that the IIRC and integrated reporting do not exist in a vacuum, and we are subject to the challenges faced by a small organization with a global mission. The congestion of the corporate reporting landscape and need for rationalization is an increasingly pressing and significant issue – it is one that will require global leadership and we are committed to helping to build the solution. We will do more to engage with regulators and investors, while pressing for reform of the corporate reporting system itself, including the incentives that underpin so much of the behaviour in our capital markets. Key to our success will be prioritization and leveraging the support of our many dedicated partners, without which we would not be able to achieve our strategy and the progress we have set out in this integrated report.

## OTHER ACKNOWLEDGEMENTS

Ours is a symbiotic collaboration with multiple stakeholders. We thank them all, in particular our Board, Council, Governance and Nominations Committee, Ambassadors and global staff team. We thank the Association of International Certified Professional Accountants for the generous hosting of our London office and our many partners, supporter organizations and network participants for their continued enthusiasm, financial and in-kind contributions and secondments of staff.

**Barry Melancon**  
Board Chair

**Charles Tilley**  
Interim CEO

**Dominic Barton**  
Council Chair

**Jane Diplock**  
Governance and  
Nominations Committee Chair

# ADOPTION AROUND THE WORLD

Here we highlight the countries leading the way for adoption of integrated reporting:

## United Kingdom

**35%**

of a sample of premium listed companies clearly considering the 'capitals' in their business models<sup>iii</sup>



## France

**58%**

of the top 40 French listed companies (CAC 40) are producing integrated reports



## Brazil

**700**

participants in the Brazil <IR> Network





Japan

342

self-declared integrated reports in 2017<sup>1</sup>



Malaysia

100

listed companies in Malaysia prepared integrated reports in 2018



South Africa

372

companies listed on the Johannesburg Stock Exchange which are all required to produce an integrated report<sup>2</sup> (as at 31 December 2018)



Australia

48%

of the 200 largest listed companies leveraging at least some of the principles of integrated reporting<sup>3</sup>

## EXTERNAL ENVIRONMENT

**Understanding key global trends and how integrated reporting fits within the overall political economy is a vital way of ensuring integrated reporting remains relevant to today's issues and tomorrow's market needs. Key current trends include:**

### Stewardship and corporate governance

The concept of stewardship, allied to principles of corporate governance, is becoming a major feature around the world. This trend for better quality corporate governance has been particularly successful at bridging the information gap between businesses and investors in countries such as South Africa, Japan, the Netherlands and Malaysia.

### Inclusive capitalism

In response to the 2007-08 global financial crisis the idea of 'inclusive capitalism' has been advanced which would give greater weight to social and environmental value within the overall framework of economic and capital market decision-making. As part of these discussions, consideration has been given by governments and institutions such as the UN to measuring the overall well-being of nations, which offers a broader canvass to enhance our understanding of societal and human progress. These developments are relevant to the IIRC as the six capitals provide an overall framework for understanding, measuring and articulating these broader dimensions of human, economic and social progress within organizations.

### Sustainable Development Goals (SDGs) and climate change

Ever since Rio +20 in 2012, this issue has been relevant to integrated reporting and sustainable development remains a key part of what we seek to achieve. The SDGs, EU Non-Financial Reporting Directive, Paris climate change agreement and 2016 Financial Stability Board Task Force work on climate-related financial disclosures all set down a challenge to business and capital markets to embed sustainability considerations into mainstream reporting. However, there is a challenge at a capital market level – how to translate broad, and specific commitments into something meaningful for capital markets to shift capital towards productive, sustainable investment. This is where there is a significant role for integrated reporting – by bringing investors and businesses to the table.

### Globalization and interconnectedness

The International Monetary Fund and World Economic Forum are among many global institutions to highlight that risk must be managed differently in such an interconnected global economy, where risks can no longer be isolated and managed according to geography or type. Integrated reporting is one of the tools that have been called for by, for example, the World Economic Forum, to help address this issue.

### Technology

Artificial Intelligence and automation are emerging technology themes, and there has been much discourse on the effect of these developments on the world of work as well as the future of the professions. Less explored, perhaps, is the impact on how information is received and used by companies. This will be an important issue for the future and a trend we will continue to track. Technology remains one of the key macro trends impacting all aspects of the global economy – we are witnessing disruption to business models, disintermediation in the banking sector and high market valuations for new 'disruptors' with few or no physical assets. The IIRC is interested in technology for two particular reasons:

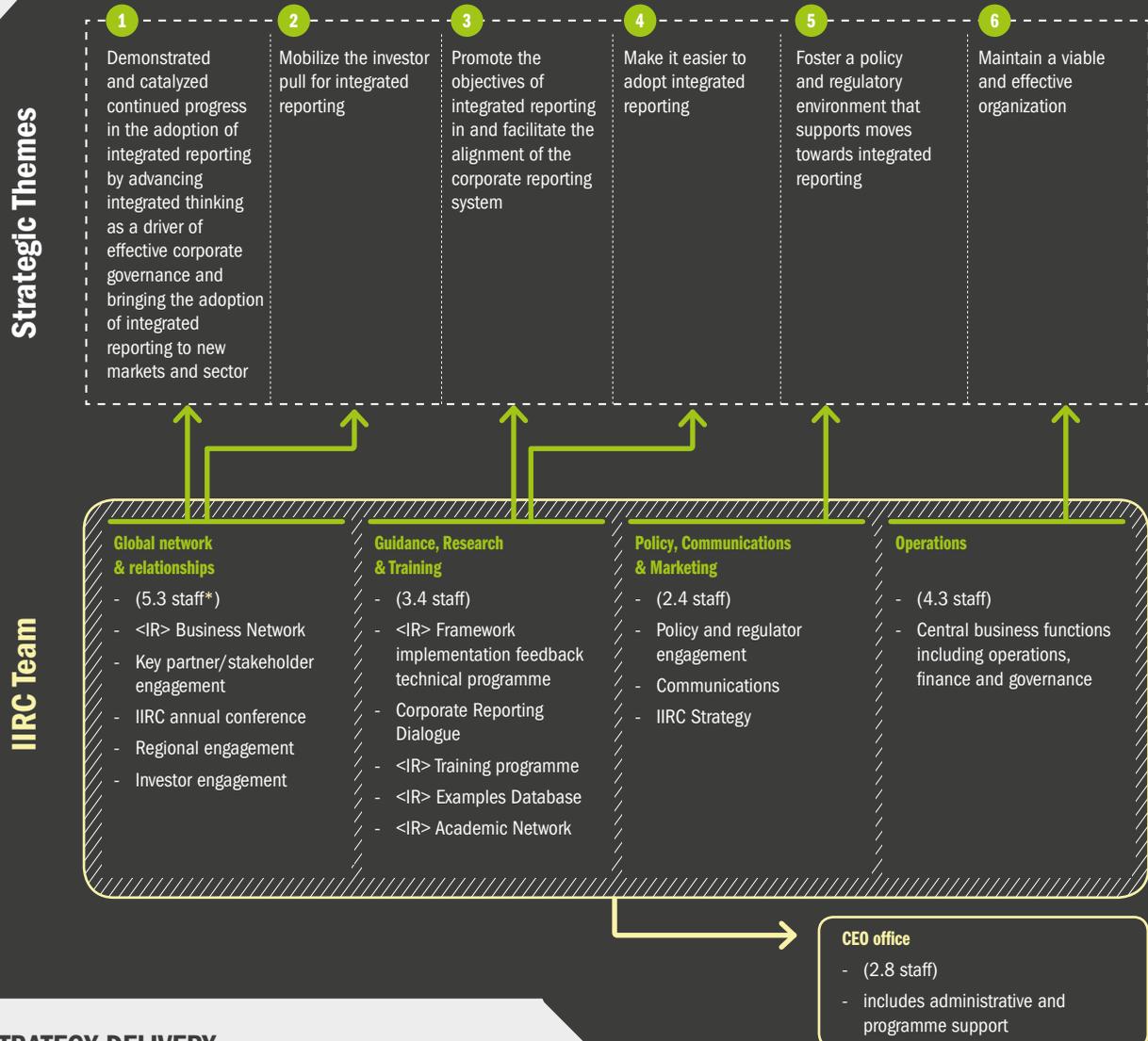
- (a) can integrated reporting equip providers of financial capital with better quality information to better support investment decision-making? and;
- (b) can technology be harnessed to improve the quality of corporate reporting?

### Energy and Infrastructure

The McKinsey Global Institute estimates that the world needs to invest roughly USD 3.3 trillion annually in infrastructure just to support existing expectations of future growth, with 60% of that investment required in emerging economies<sup>34</sup>. Much of this infrastructure will rely on new sources of energy that must be managed and accounted for. During the IIRC's participation in the B20 Infrastructure Task Force, the world's major accounting networks identified reform of corporate reporting, and specifically integrated reporting, as a framework to help support and manage this transition, providing investors with long-term information on risk and opportunity and creating the foundations for sustainable investment.

# STRATEGY AND RESOURCE ALLOCATION

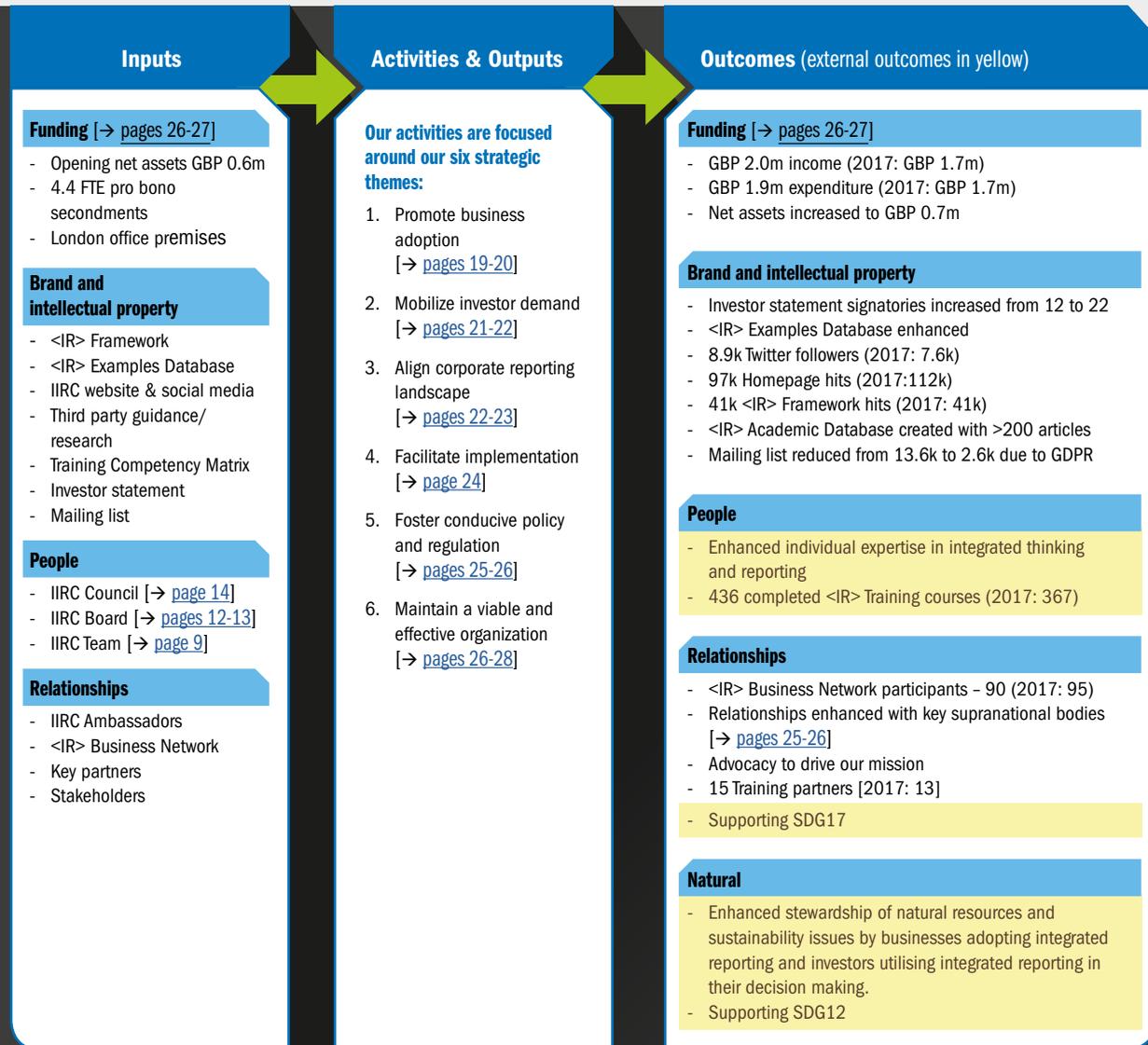
We deliver our Momentum Phase strategy (2018-2020) through six strategic themes. Each strategic theme is primarily supported by one of our four staff teams, which also support the other strategic themes. This is illustrated in the diagram below (average full-time equivalent staff members in 2018).



## STRATEGY DELIVERY

We are a global organization with a small team so it is vital that we leverage strategic partners who can amplify our message, advocate for change, produce persuasive research and lead market-based networks that bring together businesses, investors and regulators. This inclusive, market-based partnership approach will remain the linchpin of our strategy delivery, and delivers on our commitment to be market-led, while multiplying the available resources for our cause.

# BUSINESS MODEL



Our business model diagram shows how we transform inputs through business activities into outputs and outcomes that aim to fulfil our strategic purpose.

We rely primarily on four capitals:

- The majority of our **funding** comes from contributions and grants from our Council members, Business Network participants, and other organizations and mainly goes towards our staff and travel costs [[→ page 27](#)].
- Our core **intellectual capital** is the International <IR> Framework, the product of extensive consultation and multi-stakeholder perspectives developed over three years.

- Our **people** consist of Council members, [[→ page 14](#)], and our relatively small staff team that coordinate our activities under the oversight and direction of our Board.
- Our **relationships** are crucial in amplifying our work, particularly given our small team, and our mission would be impossible without garnering the support of our stakeholders.
- Though not a significant input to our work, **natural** capital and its sustainability is a fundamental long-term outcome of our work.

A summary of our activities and outputs can be seen on [[→ page 9](#)] by staff teams, with detail provided in the 2018 performance section under each strategic theme.

Our outcomes are our effects on the capitals, both for the IIRC and others – effects on others are shown in blue in the diagram.

# STRUCTURE AND GOVERNANCE

Our governance, as codified in our [Constitution](#), is founded on our market-led strategy, as well as our reliance on effective partnerships to fulfil our mission. It strikes an important balance between the legal authority and responsibilities of our Board and the significant weight and influence of our Council. There were no significant changes in our structure and governance processes in the year.

**IIRC Council:** appointed by the Board, acting in consultation with the Governance and Nominations Committee, is the primary, though not exclusive, source of advice, expertise, experience, resources and support required for achievement of the IIRC's purpose. [[page 14](#)]

**IIRC, a non-profit company limited by guarantee**  
(Operating Company):

- **Board of Directors** [[page 12-13](#)]: Appointed by and accountable to the Governance and Nominations Committee, responsible for the running of the Operating Company and its activities. All Directors aside from the CEO participate on an individual, non-remunerated and non-executive basis.
  - Remuneration Committee: comprising the Board Chair and Vice Chairs, reviews CEO performance and remuneration.
- **CEO and IIRC Team** [[page 9](#)]: Coordinate the activities of the IIRC and report to the Board. These activities and interactions are guided by our brand values: be market-led, communicate with clarity, facilitate change and promote cohesion. Four organizational values shape how we do, what we do and ensure we work cohesively and collaboratively: respect, attitude, professionalism and truth.

**Governance and Nominations Committee:** members of the operating company, and appointed by the Council, met three times in 2018 (one of which in-person), dealing with appointments, advising on the future development of the Council, monitoring the IIRC's own integrated reporting, and risk management. Average attendance of 53%, though a small increase on 2017's 50%, is something we will look to improve this in 2019.

**<IR> Framework Panel:** appointed by the Board and convened by the IIRC team, the Panel met five times in 2018 to provide input and guidance on the <IR> Framework implementation feedback technical programme [[page 24](#)].

**IIRC Ambassadors:** seek to support the mission and work of the IIRC by helping to promote our aims. Engagement of Ambassadors and leveraging their voice more in key markets is an area for development.

**Integrated Reporting Foundation:** (a company limited by guarantee) is a registered UK charity. The Operating Company is the sole member of the Foundation and appoints the independent Board of Trustees, and also provides administrative support. Financial results of the Foundation are consolidated with the IIRC.

## HOW OUR GOVERNANCE SUPPORTS VALUE CREATION

The robustness of our governance and make-up of our governance bodies lend the IIRC:

### Authority and credibility

- Our Council provides global coverage – at a very senior level – of all parts of the corporate reporting system, with global, institutional, and regional impact and influence. It provides the IIRC with its crucial voice as an 'umbrella' framework for corporate reporting, with a mandate for global progress in reporting and for a more cohesive system.
- Robust governance structures and processes enhance our credibility.
- These attributes enhance market acceptance of our outputs and lead to our invitation to global policy discussions.
- The quality and diversity of our Board also enrich our strategic decisions.

### Advocacy and reach

- The relationship capital provided by our global Council enables us to make connections far beyond what we could otherwise achieve including to key market influencers.
- Advocacy by governance body members enhances our messaging in priority markets.

### Market engagement

- Council is our initial barometer for market sentiment and demand for guidance, their experience, and diversity ensuring we understand and appropriately connect to regional and global developments.
- Investors on governance bodies inform our engagement with providers of financial capital.

### Funding

- Council members provide resources in the form of voluntary financial contributions, grants, staff secondments, and project delivery.

# OUR BOARD

## DIRECTORS (at date of this report)



**Pru Bennett**

Principal, Guerdon Associates  
appointed August 2019



**Helen Brand OBE**  
*Deputy Chair of the Board*

Chief Executive, ACCA



**Michael Bray**

KPMG Fellow of Integrated  
Reporting at Deakin University;  
Director of Better Business  
Reporting, KPMG Australia



**Aron Cramer**

President and CEO, BSR



**Louise Davidson AM**

CEO, Australian Council of  
Superannuation Investors



**Izumi Kobayashi**

Vice Chair, Japan Association of  
Corporate Executives; Director of  
Ana Holdings, Mitsui & Co. and  
Mizuho Financial Group



**Barry Melancon**  
*Chair of the Board*

CEO, Association of International  
Certified Professional Accountants



**David Nussbaum**  
*Deputy Chair of the Board*

Chief Executive, The Elders



**Upendra Sinha**

Former Chairman of the Securities  
and Exchange Board of India



**Richard Sexton**

Formerly Vice Chairman, Global  
Assurance at PwC  
*Appointed October 2018*

### Changes in 2018 – Directors that stood down:

**Christian Thimann**

Senior Adviser to the AXA Chairman and Director of the Research Fund;  
Chairman, EU High-Level Expert Group on Sustainable Finance;  
Vice Chair, FSB Task Force on Climate-related Financial Disclosures.

*June 2018*

**Jeanne Ng**

Director – Group Sustainability, CLP Group.

*November 2018*

### Post year-end changes – Directors that stood down:

**Alexsandro Broedel Lopes**

Finance Executive Director at Itaú Unibanco, member of the Accounting  
Standards Advisory Forum of the IASB; Professor at the University of São  
Paulo's Accounting & Law School.

*January 2019*

**Richard Howitt**

Chief Executive Officer

*June 2019*

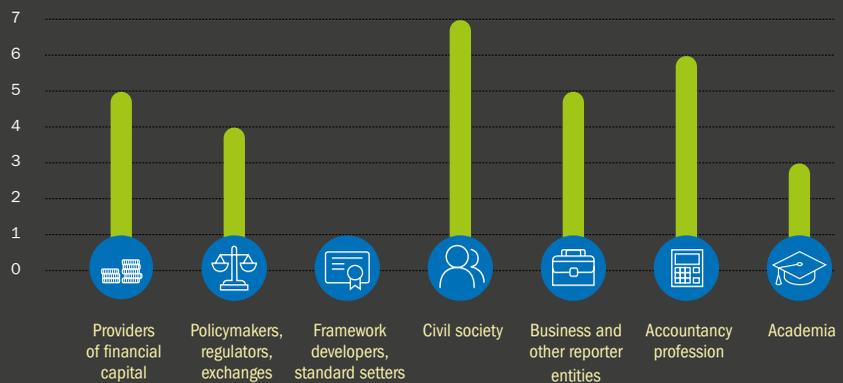
**The Board comprises leaders whose individual backgrounds and combined experience reflect our broad constituency base. The skills and diversity of Board members, lend healthy debate, guidance and discipline to such activities as strategic development and risk management.**

It is important for our Board to offer a suitable mix of relevant experience, geographic spread, and gender balance.

#### Experience:

(Directors can have experience in more than one category)

No. of Directors



#### Gender diversity:



#### Geographic spread:



#### Board meetings:

There were five Board meetings in 2018 (three teleconference and two in-person), in which they monitored performance and financial and risk management, appointed new Council members, and engaged with and gave direction to the CEO and the IIRC team on strategic matters, including the Momentum Phase strategy, strategies for USA and China, our theory of change, development of the Council, positioning of integrated reporting within the corporate reporting system, engagement with index providers, and management of our key institutional relationships.

Attendance rate was 81% (2017: 84%) which we believe is sufficient for the effective functioning of the Board.

## OUR COUNCIL

The Council comprises Board or senior executive level designates from our coalition organizations, expressing the coalition's broad market view and collective voice – their breadth of views, depth of experience and commitment to integrated reporting continue to be instrumental to our strategy implementation.

### COUNCIL MEETINGS

We convened two Council meetings in 2018 during which Council members were updated on our progress and key developments, Council members gave guidance to the IIRC Board and Team over issues including: the future direction of the strategy, the IIRC's role in regaining trust in business; how the IIRC could contribute to a vision of multi-capitalism, the role of the different stakeholders in the IIRC coalition; and the impact of technology on corporate reporting.

Date	Location	Council attendance
Feb 2018	Tokyo	42% (last Council meeting in Tokyo in December 2015: 50%)
Oct 2018	Paris	63% (Amsterdam October 2017: 69%)

Though it is difficult to maintain a high attendance rate at our Council (and other governance) meetings due to the seniority and geographic spread of our members, these attendance figures are lower than we would like. In 2019 we will perform a review (for the first time since the review of our Constitution in 2015) of the role, processes and constituency of the Council to ensure we have optimal engagement and that it continues to drive developments in corporate reporting globally and be a significant source of the IIRC's authority and credibility.

### COUNCIL MEMBERS *(at date of this report)*

#### Council Chair:

Dominic Barton, Senior Partner and former Global Managing Partner 2018 at McKinsey & Company from 2009 to 2018, was appointed Council Chair in October, taking over from Judge Professor Mervyn King. We worked closely with Dominic to prepare for his new role and are very excited for the coming years under Dominic's chairmanship – he brings a very high level contribution in terms of his own global profile, pre-eminent knowledge in business strategy and deep commitment to moving to long-term investment.

### Changes to Council member organizations in 2018 – new members:

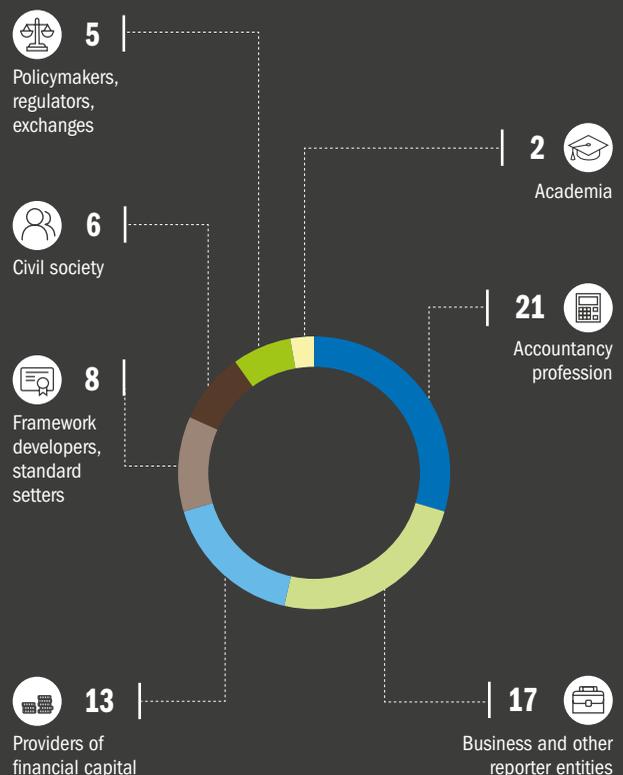
- Africa Integrated Reporting Committee
- Institute of Chartered Secretaries and Administrators

### Added post year-end:

- Integrated Reporting Committee of South Africa
- FCLTGlobal

### COMPOSITION

(No. of Council members)



A full list of our Council members at the date of this report is provided as supplementary information [here](#).

# STAKEHOLDER RELATIONSHIPS

Stakeholder engagement is ingrained in our governance, strategy and activities. Our stakeholder groups are represented on the IIRC Council and the IIRC Board which we convene regularly. We also engage with all stakeholder groups through our annual conference and bilateral meetings. Other engagement mechanisms specific to particular stakeholder groups are indicated below.

We performed our second stakeholder survey in 2018 with 248 respondents, which was down on the 535 from the previous stakeholder survey in 2016 – we believe that activity around the EU’s new General Data Protection Regulation (GDPR) coinciding with survey had an adverse impact on the number of responses received. Key findings are shown in the performance section.

Stakeholder group	Stakeholder interest	Our response
 Business and other reporter entities	Support for implementation of integrated reporting; and alignment of reporting standards and frameworks.	Strategic themes #1 and #4 focus on these issues: <ul style="list-style-type: none"> <li>See [<a href="#">page 24</a>] for how we are making it easier to adopt integrated reporting.</li> <li>See [<a href="#">pages 22-23</a>] for how we are promoting alignment of the corporate reporting landscape.</li> </ul>
 Providers of financial capital	Better corporate reporting to inform evaluation of risks and returns; and improved performance of portfolio companies.	Strategic theme #2 is focused on investors – see [ <a href="#">pages 21-22</a> ] for how we are engaging with them.
 Framework developers and standard setters	Collaboration to reduce confusion and perception of a reporting patchwork by reporters.	Strategic theme #3 focuses on alignment of the corporate reporting landscape – see [ <a href="#">pages 22-23</a> ] for how we are promoting this.
 Accountancy profession	Evolve and enhance the role and expertise of the accountant and professional services providers to match the needs of modern business and society.	Our relationship with the accountancy profession continues to thrive and provide mutual benefits, including capacity building, elevated profile in the business community and momentum for enhanced reporting.
 Policymakers, regulators and exchanges	Improved corporate reporting that increases efficacy of capital markets and business behaviour for the long-term and wider society benefits.	Strategic theme #5 focuses on engagement with policy makers and regulators – see [ <a href="#">pages 25-26</a> ] for how we are doing this.
 Civil society	Business that serves society better.	We benefit from civil society’s voice on our Board and our Council. We engage on such matters as responsible business, environmental stewardship and inclusive capitalism. This forges our relationships and progresses shared agendas in the public interest. We need to communicate better with funders to align our interests.
 Academia	Study links between reporting, performance and investment.	The academic community provides credible evidence of the benefits of integrated reporting. We recognize the needs, interests and vital role of academia and feel further investment in these relationships is important. See the work of our <IR> Academic Network on [ <a href="#">page 20</a> ].
 Our team	An environment which facilitates good performance and professional development.	Team commitment will continue to drive our success. In 2018 we performed our second team survey, which again showed strong alignment to the goals of the IIRC, in response to which we produced an action plan to address identified areas for improvement.

# MATERIAL MATTERS

Material matters are those that substantively affect our ability to create value over time. Those that may diminish value are termed risks; those that may create value are termed opportunities; some represent both a risk and opportunity.

These were reviewed in October 2018, a process which included a review of governance meeting minutes and open discussion amongst the management team, drawing on their experience, judgement and own engagement with stakeholders. Our Board reviews our conclusions and methodologies and provides constructive input and challenge.

Our material matters fall into three categories as shown in the table that follows.

Two new material matters have been added since our 2017 report: 'Competition' from other organizations and initiatives, and mission shift.

**R Risk**      **O Opportunity**

Material matter and description of risk/opportunity	IIRC response	Strategic theme
	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> = what we have done</li> <li><span style="color: orange;">●</span> = ongoing</li> <li><span style="color: blue;">●</span> = what we will do</li> </ul>	<a href="#">[-&gt; pages 19-28]</a>
<b>1. Value proposition of integrated reporting</b>		
<p><b>R</b> <b>Relevance of integrated reporting to macro themes.</b></p> <p>The IIRC must continue to be seen as a relevant response to emerging global 'megatrends' and not be left behind, particularly the impact of new/ disruptive technologies and big data, which could fundamentally threaten the accounting profession and corporate reporting [<a href="#">-&gt; page 8</a>].</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Assessment of megatrends forms part of our Momentum Phase strategy [<a href="#">-&gt; page 8</a>].</li> <li><span style="color: orange;">●</span> Continue to make public statements, issue policy papers and deliver other communications to demonstrate the alignment of integrated reporting to these global developments.</li> <li><span style="color: blue;">●</span> Develop our Theory of Change for integrated reporting in 2019, which plots the megatrends to the IIRC's mission and strategic goals.</li> </ul>	5
<p><b>R</b> <b>Credibility of integrated reports.</b></p> <p>Poor quality integrated reports and data within them may fail to meet investors' information needs and undermine the benefits and concept of integrated reporting. Assurance provides an opportunity to address this.</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Obtain assurance on our 2018 integrated report to act as an exemplar to the market.</li> <li><span style="color: orange;">●</span> Disseminate best practice through &lt;IR&gt; Business Network programme, &lt;IR&gt; Examples Database and &lt;IR&gt; Training Programme.</li> <li><span style="color: orange;">●</span> Work with the International Auditing and Assurance Standards Board and others on the role of assurance to enhance credibility, including tracking developments in practice.</li> <li><span style="color: blue;">●</span> Deliver technical work plan to respond to the findings of &lt;IR&gt; Framework Implementation Feedback Review.</li> </ul>	4
<p><b>R</b> <b>Making the case for integrated reporting.</b></p> <p>Insufficient understanding or evidence of the tangible benefits of integrated reporting and integrated thinking, to businesses, investors and broader capital markets may limit mainstream adoption.</p>	<ul style="list-style-type: none"> <li><span style="color: orange;">●</span> Encourage research on the impact of integrated reporting, both to reporting organizations and to the wider economy.</li> <li><span style="color: orange;">●</span> Develop thought leadership on the role of integrated thinking as a foundation of integrated reporting and inclusive decision-making through dedicated &lt;IR&gt; Business Network Significant Interest Group.</li> <li><span style="color: orange;">●</span> Use global key partners to advocate for integrated reporting in a way that resonates with key audiences, through thought leadership, events and communications, and personal advocacy.</li> </ul>	1
<p><b>O</b> <b>Business focus on social impact and SDGs.</b></p> <p>Integrated reporting is an effective means of reporting on social impact, the SDGs and TCFD recommendations, but is currently rarely mentioned in this context.</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> We have issued a report and co-hosted an event with UNCTAD at the United Nations in New York to promote the role of integrated reporting in achieving SDGs.</li> <li><span style="color: green;">●</span> Include the SDGs as a subject in the global programme for the &lt;IR&gt; Business Networks.</li> </ul>	1

Material matter and description of risk/opportunity	IIRC response ● = what we have done ● = ongoing ○ = what we will do	Strategic theme [→ pages 19-28]
	<ul style="list-style-type: none"> <li>● Continue our programme of alignment with the SDGs through partnerships and supranational platforms: participation in the multi-stakeholder platform on SDGs established by the European Commission, and Sustainable Stock Exchange Securities Regulators Advisory Group; collaboration on the work of UNCTAD on target SDG 12.6; participation on the advisory group of a project led by UN Global Compact and GRI on measuring the SDGs.</li> <li>● Seek further leverage from the work of the Business and Sustainable Development Commission, including its legacy projects on blended finance and benchmarking.</li> </ul>	1
<b>2. Pace and scale of Framework adoption</b>		
<p><b>R Corporate reporting system.</b> The range of reporting standards, frameworks and regulations risks adding to the perception that integrated reporting could cause further burden, fragmentation and congestion, while lack of clear standards for non-financial capitals is a barrier to adoption of integrated reporting.</p>	<ul style="list-style-type: none"> <li>● Continue to support the Corporate Reporting Dialogue as a unifying force and seek a clear move from dialogue to alignment, with integrated reporting as the umbrella, particularly through a joint project to align metrics.</li> <li>● Underpin the work of the Corporate Reporting Dialogue with a clear IIRC commitment to help build the solution to fragmentation in the corporate reporting system.</li> <li>● Work bilaterally with financial reporting leaders (e.g. IASB, IAASB, FASB, regulators, stock exchanges, the accounting profession, fintech) to position integrated reporting as central to the future of mainstream corporate reporting and distinct from sustainability reporting, and develop an understanding of a new 'end-game' for the Corporate Reporting system – in particular through collaboration with IASB's management commentary practice statement project.</li> <li>● Engage with global initiatives relevant to the future of corporate reporting, capital market reform, digitalization, inclusive capitalism and sustainable development, building an understanding of the role and impact of integrated reporting in achieving their aims.</li> </ul>	1, 3, 4, 5
<p><b>R Investor demand for integrated reporting.</b> Visible demand from investors is a vital incentive for business adoption of integrated reporting – low demand may stall widespread business adoption.</p>	<ul style="list-style-type: none"> <li>● Build investor support through engagement with key influencers in the capital markets, including through events.</li> <li>● Increased emphasis internally on investor engagement through individual targeting, working with investor networks and bodies, in particular CFA Institute, PRI and ICGN.</li> <li>● Build further the evidence base on benefits of integrated reporting to investors through partnering on research.</li> <li>● Explore collaboration with ratings agencies and index providers calling on them to support the concept of integrated reporting and to reduce confusion in the corporate reporting landscape.</li> </ul>	1, 2
<p><b>O Supportive regulatory environment.</b> Endorsement from regulators and policy makers often seen as essential in countries with more rules-based approaches; inclusion in corporate governance codes has been an important driver of adoption of integrated reporting.</p>	<ul style="list-style-type: none"> <li>● Develop a plan for each priority market to attain policy/regulatory alignment and endorsement.</li> <li>● Develop strategies to build increasing recognition of integrated reporting by selected major international institutions (e.g.; IOSCO, G20, OECD, WEF, EU, UN agencies, APEC), utilizing national member representatives to assist in this task.</li> <li>● Publish a table of regulatory interventions to demonstrate the growing interest in integrated reporting by the regulatory community and the different tools used to recommend adoption.</li> </ul>	1, 5
<p><b>R Key markets: USA and China</b> Slower progress of integrated reporting penetration in the key markets of USA and China (i.e. the two largest economies) could hinder global adoption.</p>	<ul style="list-style-type: none"> <li>● Strategies in place for USA and China markets, reviewed by the IIRC Board.</li> <li>● USA strategy led by dedicated full-time staff member with US &lt;IR&gt; Community operational.</li> <li>● Regular engagement and market visits with China's Ministry of Finance.</li> <li>● USA and China selected as two of four focus markets for the IIRC in 2019.</li> </ul>	1

Material matter and description of risk/opportunity	IIRC response	Strategic theme
<p style="text-align: center;"> <span style="color: green;">●</span> = what we have done              <span style="color: orange;">●</span> = ongoing              <span style="color: blue;">●</span> = what we will do         </p>		
<p><b>R</b> <b>'Competition' from other organizations and initiatives.</b> Other entities are reviewing their roles, and new reporting initiatives are arising, which might start to encroach on that of the IIRC and hinder our mission to make integrated reporting the global norm.</p>	<ul style="list-style-type: none"> <li><span style="color: blue;">●</span> Map the IIRC's 'competitive' landscape, develop appropriate strategies in response to 'competing' initiatives/organizations.</li> <li><span style="color: blue;">●</span> Monitor this by reviewing on an annual basis and/or in response to market developments as they arise.</li> </ul>	1, 3, 6
<p><b>O</b> <b>Demonstrable momentum of adoption.</b> A pronounced and measurable shift to Integrated Reporting could stimulate further uptake of our Framework to support critical mass.</p>	<ul style="list-style-type: none"> <li><span style="color: orange;">●</span> We collate and leverage third party research particularly KPMG's biannual global report.</li> <li><span style="color: orange;">●</span> Update annually our wider measure of organizations 'on the path'.</li> </ul>	1
<p><b>R</b> <b>Ease of adoption.</b> The challenge of getting over the 'adoption threshold' and meaningfully starting the journey towards integrated reporting may limit uptake of integrated reporting. Intangibles pose a particular challenge for reporters.</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> &lt;IR&gt; Training Programme in place with 15 training partners.</li> <li><span style="color: orange;">●</span> Work with training partners to enhance quantity and review quality of programmes, and ensure trainers are aligned to developments in integrated guidance.</li> <li><span style="color: orange;">●</span> Deliver an engaging and useful &lt;IR&gt; Business Network programme.</li> <li><span style="color: orange;">●</span> Grow and enhance the &lt;IR&gt; Examples Database.</li> <li><span style="color: blue;">●</span> Deliver technical programme identified in the &lt;IR&gt; Framework Implementation Feedback Report.</li> <li><span style="color: blue;">●</span> Identify and seek to overcome obstacles to practical integrated adoption in priority markets, through tailored country strategies delivered by country programme leads and local partners.</li> </ul>	4
<b>3. IIRC capacity and effectiveness</b>		
<p><b>R</b> <b>IIRC resource constraints.</b> Global spread and resource gaps constrain our ability to deliver our strategy and take full advantage of the momentum for Integrated Reporting, whilst Council contributions and secondments may not be sustainable.</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> We have developed a fundraising strategy to enhance income from grants with a dedicated fundraising manager in place to lead on implementation of this.</li> <li><span style="color: orange;">●</span> Maintain and grow the &lt;IR&gt; Business Network through creation of special interest groups and focus on recruitment.</li> <li><span style="color: orange;">●</span> Council contributions continue to be carefully managed and stable at present.</li> <li><span style="color: blue;">●</span> Adopt OKRs objective setting-tool to ensure we are optimising use of our resources and achieving our goals.</li> </ul>	6
<p><b>O</b> <b>IIRC relationships.</b> Our institutional reach is extended by our coalition and partners who build awareness and advance our vision.</p>	<ul style="list-style-type: none"> <li><span style="color: orange;">●</span> Our key institutional relationships are reviewed regularly by the IIRC Board.</li> <li><span style="color: orange;">●</span> Leverage support from international business organisations and their national members, e.g. Global Network of Director Institutes and OECD Business and Industry Advisory Committee (BIAC).</li> </ul>	4, 6
<p><b>R</b> <b>Mission shift.</b> Lack of focus on our agreed mission could distract us from our goal to make integrated reporting the global norm.</p>	<ul style="list-style-type: none"> <li><span style="color: green;">●</span> Clear public and internal launch of updated strategy, mission and vision.</li> <li><span style="color: orange;">●</span> Discipline in strategic discussions ensuring these are mission-focussed.</li> <li><span style="color: blue;">●</span> Review our KPIs and develop clear targets and objectives for the Momentum Phase strategy.</li> </ul>	6

  New material matters added since the 2017 report

# 2018 PERFORMANCE

## STRATEGIC THEME ONE:

### CONTINUOUS PROGRESS IN THE ADOPTION OF INTEGRATED THINKING AND REPORTING

#### Material matters [[→ pages 16-18](#)]

- |  |   |
|--|---|
| <p><b>R</b></p> <ul style="list-style-type: none"> <li>• Making the case for integrated reporting</li> <li>• Complex corporate reporting system</li> <li>• Investor demand for integrated reporting</li> <li>• Key markets: USA and China</li> <li>• 'Competition' from other organizations and initiatives</li> </ul> | <p><b>O</b></p> <ul style="list-style-type: none"> <li>• Business focus on sustainable development</li> <li>• Demonstrable momentum of adoption</li> <li>• Supportive regulatory environment</li> </ul> |
|--|---|

#### Strategic KPI performance in 2018

##### Lead KPI: Number of integrated reports published annually

We do not have one single measure of adoption of integrated reporting, rather we assess momentum by looking at a number of third-party studies. These in themselves have their limitations and so we consider the overall picture they present.

We show the findings of relevant 2018 studies in the table below. The results of the global studies support the fact that there are significant numbers of companies that have adopted integrated reporting globally, although the WBCSD survey indicates that momentum may have slowed in 2018. However, the national studies available indicate higher levels of adoption in these countries and strong growth year on year in 2018 in Australia, Japan and the UK.

	2018	2017
<b>Global</b>		
GNDI Global Director Survey Report – respondents that use the <IR> Framework (of 2,159 respondents) <sup>iii</sup>	15%	n/a
WBCSD member companies sampled annually that produce self-declared integrated reports (158 sampled in 2018) <sup>ix</sup>	18%	22%
WBCSD member companies sampled annually whose report is titled "Integrated" (158 sampled in 2018) <sup>ix</sup>	11%	11%
<b>Regional</b>		
JAPAN – KPMG Survey of Integrated Reports in Japan <sup>ii</sup>	341	279
UK – Deloitte survey of UK premium-listed FTSE companies – those clearly considering the integrated reporting notion of 'capitals' in their business models <sup>ii</sup>	35%	32%
AUSTRALIA – KPMG's survey of ASX 200 corporate reporting – companies using at least some integrated reporting principles <sup>iii</sup>	48%	25%

##### Subsidiary KPI: Number of organizations on the path to integrated reporting

We developed a measure of the number of organizations that are 'on the path' to integrated reporting that can be supported by market studies including our own database of integrated reports, and a range of third-party studies. This measure was 1,635 at March 2019. This supports our conclusion above, that we are building good momentum toward global adoption.

## <IR> Business Network

- <IR> Business Network participants numbered 90 at the year-end (2017: 95). New joiners to our <IR> Business Network included: Caggemini, Kering, Leonardo S.p.A, NN Group, Pacific Credit Rating, Pernod Ricard, PTT Public Company Limited, Rosneft, Saudi Investment Bank, Société Générale, Solvay, and Wipro. 17 left the network – while it is natural that some participants that become proficient with integrated reporting might decide to leave the network, this is more than we would like.
- To increase the appeal of the Network to more advanced reporters we launched the Integrated Thinking and Strategy Special Interest Group, which met several times in 2018 and led an <IR> Business Network meeting in Paris October 2018, hosted by Deloitte. This brought together 100 participants from 51 organizations across the world and we subsequently published a report capturing the work. The group has proved extremely popular with businesses, helping to drive participation and engagement and a taskforce is developing ground-breaking work on integrated thinking with an interim report due in 2019 and final report for 2020.
- We published '[A Chief Information Officer Guide](#)' in June 2018. The guide, written by participants of the <IR> Technology Initiative, identifies steps chief information officers can take to build an information architecture that supports better, more integrated, company reporting.
- We again collaborated with ACCA to deliver 53 report critiques of Business Network organizations (2017: 55), and [a thought leadership paper](#) on the high-level trends and learnings observed.
- We convened 8 webinars (2017: 5) providing real case studies and technical guidance to assist companies implement and improve their integrated reporting. In 2018 webinars addressed subjects such as how to report on the SDGs through integrated reporting, the role of the CIO, how integrated reporting relates to other forms of reporting, multiple capitals, value creation, and materiality.

## <IR> Academic Network

- We launched a new <IR> [Academic Database](#) in August 2018, bringing together over 200 academic studies into integrated reporting. Research included in the database concludes that integrated reporting leads to increased stock liquidity, better performance, higher market valuation and a longer-term investor base for the businesses that adopt it. The announcement received widespread interest internationally in the press, including in Belgium, Russia, Hong Kong, the Netherlands, United Kingdom and the United States.
- Deakin University was appointed inaugural chair of the Oversight Body of the <IR> Academic Network in 2018 to stimulate increased academic activity.

## Global and regional engagement

- We delivered our annual conference in partnership again with the International Corporate Governance Network (ICGN), and with the Japanese Institute of CPAs and the Japan Exchange Group, in Tokyo over two days in February/March 2018, with 425 attendees. Our annual conferences are a great way for us to engage with our stakeholders, and promote integrated reporting, and explore the latest developments and issues.
- We continued to visit numerous markets, with support from our Council members, involving speaking engagements at regional and international events, participation at roundtables and bilateral engagement with key members of our stakeholder groups at the national level. These have enhanced local partnerships and spur renewed action in encouraging uptake of integrated reporting.
- In the United States, we took part in the formation of an Integrated Reporting Working Group by the business think-tank the Conference Board. The group will produce a final report that considers how integrated reporting can be further progressed in the United States.
- The Institute of Chartered Accountants of India has introduced a new category for integrated reporting in its 'ICAI Awards for Excellence in Financial Reporting' to celebrate the best emerging corporate reporting practice.
- Africa Integrated Reporting Committee established a Botswana Integrated Reporting Committee, involving the Botswana Institute of Chartered Accountants, Botswana Accountancy Oversight Authority and Botswana Stock Exchange.

**Connection to governance:** Advocacy by governance body members extends our reach into priority markets.

## STRATEGIC THEME TWO: MOBILISE THE INVESTOR 'PULL' FOR INTEGRATED REPORTING

Material matters: [[→ pages 16-18](#)]



- Investor demand for integrated reporting

### Strategic KPI performance in 2018

**Lead KPI: EY's annual global investor survey question – How useful do you find the following sources of non-financial information when making an investment decision? Answers for 'integrated reports':**

	2018 <sup>1</sup>	2017
Essential	6%	18%
Very useful	89%	39%
Somewhat useful	4%	34%
Not very useful	1%	9%
'Score' <sup>1</sup> out of 4	3.0	2.7
Essential or very useful	95%	57%

Despite resource constraints limiting the work we have been able to do in this area, the EY annual global investor survey results suggests that there was a surge in significant increase in popularity of integrated reports amongst investors in 2018 (though the 2017 score was itself a fall on the result of the previous survey in 2015 of 2.9). The integrated report overtook the annual report as number one source of non-financial information for investors, with 95% of respondents finding them 'essential' or 'very useful'. The difference between this figure and that of companies currently doing integrated reporting indicated by GNDI's and WBCSD's research above, less than 20%, suggests there is potential for us to harness further this investor support to grow adoption.

### Investor statement

- We added 10 signatories to the [investor statement of support for integrated reporting](#), bringing the total to 22 (2017: 12), adding investors from Europe, Japan and Brazil: Allianz Global Investors, Comgest, Edmond de Rothschild Asset Management France, EFFAS, Resona Bank, Sparinvest International, WHEB Asset Management, Amec, La Française Group, Mitsubishi UFJ Trust and Banking. This shows the increasing support of both mainstream and ESG investors.
- A group of the major investor 'umbrella' bodies globally published a paper, '[Investor Agenda for Corporate ESG Reporting](#)', which states that they consider integrated reporting to "be a desirable end goal". The publication is the result of a lively debate at our April 2016 Council meeting.
- The annual Eumedion letter (Dutch investor corporate governance forum) once again focuses on the need to communicate on long-term value creation.

### Partners and advocates

- We have enhanced our collaboration with the CFA Institute, with integrated reporting given a high profile at their global conference in Hong Kong in May 2018. This collaboration is an important channel through which to engage with investors.
- Al Gore called for integrated reporting in his keynote speech to PRI 'In Person' 2018 global conference.
- We participated on a panel at European Financial Analysts EFFAS Conference on future of reporting, underlining the role of integrated reporting in investment.

<sup>1</sup> 4 points assigned to 'Essential', 3 to 'Very useful' etc.

- We played an active role in the advisory council of the Coalition for Inclusive Capitalism and EY in their Embankment Project, and spoke at the launch of their final report at the annual Inclusive Capitalism Conference in Washington DC in November 2018. The project produced some key findings on metrics which should really make a difference to investors, but it will be our task to ensure this doesn't emerge as simply another framework, but that its results are genuinely integrated in work with partners in the Council.

**Connection to governance:** Investors on governance bodies inform our engagement with the investor community.

### STRATEGIC THEME THREE:

## PROMOTE THE OBJECTIVES OF INTEGRATED REPORTING IN, AND FACILITATE ALIGNMENT OF, THE CORPORATE REPORTING SYSTEM

#### Material matters [[→ pages 16-18](#)]

- R** • Complex corporate reporting system
- 'Competition' from other organizations and initiatives
- O** • Effective IIRC relationships

#### Strategic KPI performance in 2018

##### Lead KPI: Average 'score' (out of 5)<sup>2</sup> of IIRC stakeholder survey questions below:

	2018	2016	Movement
How connected do you think the current elements of corporate reporting are today?	2.9	2.4	+ 0.5
To what extent do you agree that integrated reporting promotes a more connected and efficient approach to corporate reporting?	4.2	4.2	0.0
To what extent do you agree that integrated reporting is an 'umbrella' for corporate reporting, providing the context and linkage for other forms of reporting?	4.0	3.8	+0.2

These results show that:

- We have made progress towards aligning the corporate reporting system, particularly through the Corporate Reporting Dialogue.
- Stakeholders strongly support integrated reporting as a more connected and efficient approach to, and 'umbrella' for corporate reporting.

<sup>2</sup> Five responses available to each question (e.g., ranging from 'To a great extent' to 'To a poor extent'), each assigned a mark from 1 to 5 to calculate the average score.

## Corporate Reporting Dialogue

- The IIRC convened three physical meetings (2017: three), enhancing the work and collaboration of the Dialogue, which in 2018 included:
  - a business outreach meeting with BSR and WBCSD
  - a joint paper was published on [SDGs and the future of corporate reporting](#), with another on the Value of Transparency & Accountability developed in 2018 and published in 2019
  - Establishing the Corporate Reporting Dialogue Better Alignment Project (see below).

## Better Alignment Project

- We secured funding and collaboration for a multilateral project, with Dialogue partners CDP, CDSB, GRI and SASB, as well as IASB in an advisory role, to drive better alignment in the corporate reporting landscape and support implementation of the TCFD recommendations. The IIRC is convening the project, the first phase of which will result in a report published in 2019 which will map the frameworks against the TCFD recommendations and then against each other where it concerns the TCFD recommendations; and identify how non-financial metrics relate to financial outcomes, with the ultimate aim for a paradigm shift towards the integration of financial and non-financial information.

- The project was launched simultaneously in November 2018 at the World Congress of Accountants 2018 in Sydney and the Bloomberg Sustainable Business Summit in London and supports strengthened cooperation within, and support of, the Dialogue, with stakeholder engagement and communications a significant part of the project.

## Other initiatives

- We engaged with new complementary initiatives including the Social & Human Capital Coalition, World Benchmarking Alliance, Shift Project, and the new COSO/WBCSD Enterprise Risk Management guidance.
- We fostered a new impetus on auditing of integrated reports through hosting a roundtable on assurance with Mazars/Shift, and presenting to a Public Interest Oversight Board event to advance the case for audit to address integrated reporting.

**Connection to governance:** Having Framework developers and standard setters on our Council promotes collaboration and communication.

## STRATEGIC THEME FOUR: MAKE IT EASIER TO ADOPT INTEGRATED REPORTING

### Material matters [[→ pages 16-18](#)]

R

- Credibility of integrated reports
- Complex corporate reporting system

O

- Credibility of integrated reports
- Ease of adoption

### Strategic KPI performance in 2018

#### Lead KPI: Average 'score' (out of 5) of IIRC stakeholder survey questions below:

	2018	2016	Movement
To what extent do available guidance and tools address barriers to practical integrated reporting adoption?	3.6	n/a	n/a
What is your view of the quality of research and reports produced by the IIRC and partners as shown on the IIRC website?	3.8	3.9	(0.1)

These scores illustrate that there is more work to do to provide practical support for implementation – this is being addressed with a number of guidance outputs due to be published in 2019 as below.

### <IR> Framework implementation feedback technical programme

- We worked closely with the <IR> Framework Panel on developing responses to Frequently Asked Questions, a practice note on the multi-capitals, a Practice Aid on <IR> Framework requirements, and a 'getting started' guide to integrated reporting, all due for publication in 2019.
- In 2019 we will be undertaking planning and deliberation within our governance and with key stakeholders for a potential revision of the <IR> Framework.

### <IR> Examples Database

- The <IR> Examples Database was reorganized substantially increasing new examples, ensuring older examples are archived and restructuring the site to further improve its interactivity, so users can access the examples which will best help them advance in their own reporting.
- Web traffic to the <IR> Examples Database webpage reduced by 8% in 2018 (to 18,970 hits), while traffic to the <IR> Framework webpage increased by 1% to 41,185.

### <IR> Training Programme

- We continued to grow our training programme with 436 individuals completing programmes (2017: 367) in 14 countries (2017: 14). We briefed all training partners on latest developments in integrated reporting to ensure training provided is up to date and help maintain the high quality of the courses (average participant score remained at 4.0 out of 5).

### Research

- See <IR> Academic Network [[→ page 20](#)]
- We agreed joint research projects for 2019 with both International Federation of Accountants and Institute of Chartered Accountants of England and Wales.

See <IR> Business Network [[→ page 20](#)]

**Connection to governance: The Council is our initial barometer for guidance on public opinion and market demand; the <IR> Framework Panel guides review and revision of the <IR> Framework.**

## STRATEGIC THEME FIVE: FOSTER A POLICY AND REGULATORY ENVIRONMENT THAT SUPPORTS MOVES TOWARDS INTEGRATED REPORTING

### Material matters [[→ pages 16-18](#)]

- R** • Complex corporate reporting system
- O** • Response to macro themes
- Supportive regulatory environment

### Strategic KPI performance in 2018

#### Lead KPI: National regulation

	2018	2017
Number of countries where there is regulatory signposting to, or alignment to principles of, integrated reporting	17	16

In 2018 Australia became the latest country with regulatory signposting to integrated reporting, in the public consultation draft of the ASX's Corporate Governance Principles and Recommendations 4th edition (and it was retained in the final version published post year-end in February 2019).

The other countries are: Botswana, Brazil, China, India, Japan, Luxemburg, Malaysia, Netherlands, New Zealand, Philippines, Singapore, South Africa, Sri Lanka, Sweden, Turkey, and the UK.

#### Subsidiary KPI: Supranational platforms

	2018	2017
Number of key supranational platforms where integrated reporting is on the agenda	8	7

**IOSCO** (added in 2018) – We presented for the first time at IOSCO to their Committee 1: Disclosure Sub-Committee. Through this we have successfully raised awareness of integrated reporting and have agreed to develop our engagement with them.

**G/B20:** Under Argentina's Presidency of the B20 we played an active role in the Integrity and Compliance Task Force, with the policy paper referencing the role of integrated reporting and its role in promoting increased transparency and providing greater confidence to encourage long-term investment in infrastructure projects. We continue our conversations with our stakeholders in Japan ahead of their 2019 B20 presidency and we are pursuing avenues with the Cabinet Office in Japan on the role of integrated reporting in sustainable development and intellectual capital.

**European Commission** – At the European Commission's 'Future of Corporate Reporting' conference in December 2018 there was strong support for integrated reporting as key to the future of reporting. Commission officials have stated publicly that it is not a question of 'if' but 'when' for integrated reporting. This followed the publication of the findings of the European Commission Fitness Check on Public Reporting by Companies, with over half of the respondents believing that integrated reporting could contribute to a more efficient allocation of capital and just over half agreeing that the EU should encourage its adoption. We continue to engage with the Commission as they revise the Non-Financial Reporting Guidelines to take into account the TCFD recommendations and with the new EFRAG Corporate Reporting Lab, which we were honoured to be asked to help launch, and as the only reporting organization chosen to take part in their Multi-Stakeholder Platform for the implementation of the Sustainable Development Goals. In combination with our own publication on integrated reporting and the SDGs last year and our participation in the World Economic Forum, this work is essential for demonstrating the relevance of integrated reporting.

**IASB** – We participated in meetings of the IASB Advisory Group to support the review of its management commentary practice statement – this is a major opportunity to advance the principles and concepts of integrated reporting mainstream reporting practices internationally, following endorsement from Hans Hoogervorst, IASB Chair in 2017.

**UNCTAD** – We participated on the global Sustainable Stock Exchanges (SSE) Advisory Group, we spoke at the UNCTAD World Investment Forum 2018 where the SSE launched their paper on how securities regulators can support the SDGs, and are now in its regulators working group (convened by UNCTAD, PRI and UNGC). We co-hosted with UNCTAD an event at the United Nations in New York to promote the role of integrated reporting in achieving the SDGs. We joined UNCTAD/UN Environment Programme advisory group to support the development of metadata guidance for SDG indicator 12.6, which encourages companies to integrate sustainability in their reporting. Integrated reporting was given profile at UN Global Goals Week 2018, reinforcing relevance of integrated reporting to SDGs.

**UN Global Compact** – We are on the Advisory Group for their work with GRI on SDGs.

**UN International Standards of Accounting & Reporting (ISAR)** – We are on the consultative group and a regular speaker at meetings.

**ICGN** – Integrated reporting remains a part of ICGN's 'Global Governance Principles', providing a platform for our close partnership including a second joint conference held in 2018.

Other platforms we are seeking to get on the agenda of include APEC, OECD, United Nations Environment Programme Finance Initiative, WEF and World Federation of Exchanges.

## Other engagement

- We responded to the Financial Markets Authority Corporate Governance Handbook in New Zealand following the inclusion of integrated reporting in the country's corporate governance code, and to the Securities and Exchange Board of India consultation on corporate governance to welcome their innovative new report.
- The UK Financial Reporting Council's revised guidance on the strategic report and the revised corporate governance code further strengthened their links to integrated reporting.

**Connection to governance:** The Board and Council members help us cultivate our relationships with regulators and policymakers.

## STRATEGIC THEME SIX: MAINTAIN A VIABLE AND EFFECTIVE ORGANIZATION

### Material matters [\[→ pages 16-18\]](#)

- R**
  - IIRC resource constraints
  - 'Competition' from other organizations and initiatives
- O**
  - Effective IIRC relationships

### Strategic KPI performance in 2018

**Lead KPI: View of the IIRC from our Council members, ascertained via scores to IIRC stakeholder survey questions below:**

IIRC stakeholder survey question average scores from IIRC Council, Board and ambassadors (out of five):	2018	2016	Movement
As a partner or advocate, to what extent is the IIRC effective at building good relationships with you?	4.2	3.8	0.4
What degree of progress do you believe the IIRC is making towards global adoption of integrated reporting?	4.0	3.7	0.3

Financial statements<sup>3</sup>:

## Group income statement

	2018 GBP '000	2017 GBP '000
<b>INCOME</b>		
Council contributions	711	663
Network contributions	564	559
Grants and other contributions	497	305
Training and events	258	198
	<b>2,030</b>	1,725
<b>OPERATING EXPENSES</b>		
Staff costs	(1,382)	(1,331)
Travel and subsistence	(292)	(248)
Outgoing grants	(117)	-
Communications and engagement	(12)	(47)
Other costs	(145)	(116)
	<b>(1,948)</b>	(1,742)
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>82</b>	(17)
Other non-operating income	3	1
<b>SURPLUS/DEFICIT BEFORE TAX</b>	<b>85</b>	(16)
Tax expense	(19)	(6)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>66</b>	(22)

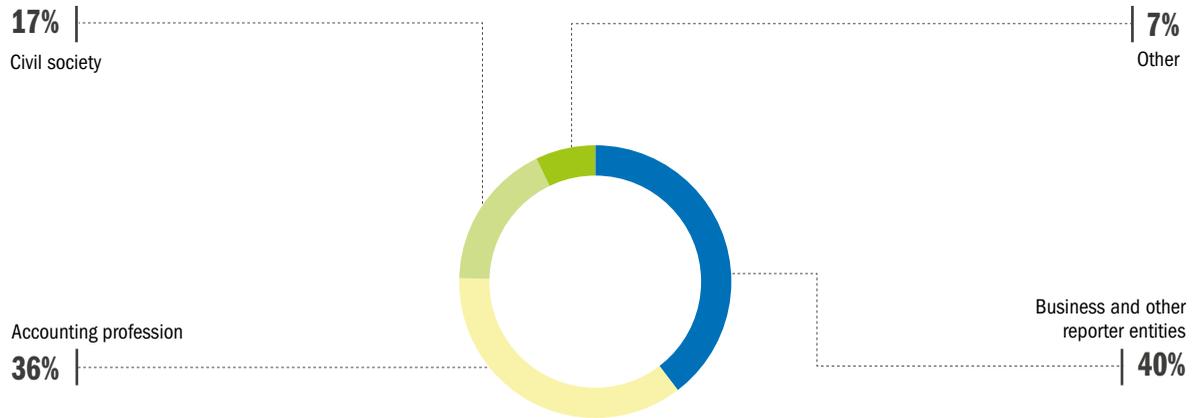
## Group Balance Sheet

	2018 GBP '000	2017 GBP '000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Trade and other receivables	175	231
Prepayments and accrued income	42	48
Cash at bank	1,557	868
	<b>1,774</b>	1,147
<b>TOTAL ASSETS</b>	<b>1,774</b>	1,147
<b>EQUITY</b>		
<b>ISSUED CAPITAL AND RESERVES</b>		
Retained surplus	652	586
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accruals and deferred income	1,010	482
Trade and other payables	112	79
	<b>1,122</b>	561
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,774</b>	1,147

- The increase in Council contributions was due to timing differences of receipts, which triggers the recognition of income. Taking this into account, Council contributions decreased slightly, by GBP 9k.
- The increase in grants and other contributions is largely due to Corporate Reporting Dialogue Better Alignment grant recognized, which also mainly explains the increase in outgoing grants and other costs, as well as our year-end cash and deferred income balances.
- Increase in travel costs due to increased travel of management team for market engagement.
- For a detailed financial account please refer to the IIRC [Financial Statements 2018](#).

<sup>3</sup>The financial information presented in the Integrated Report does not constitute the IIRC's annual statutory financial statements for the year ended 31 December 2018 but is derived from those financial statements. The auditor's report on the statutory financial statements was signed on 5 September 2019. The report was not qualified, did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying the report and did not contain any statement that might be required under s498(2) or (3) of the Companies Act 2006.

## INCOME BY STAKEHOLDER GROUP



### In-kind contributions

The notional income we derive from in-kind services and facilities provided by others is significant and is not reflected in our financial statements. They include:

- Pro bono provision of our London office premises by the Association of International Certified Professional Accountants.
- Staff seconded pro bono from other organizations, mostly professional services firms, continued to fall, accounting for 4.4 full-time equivalent (FTE) in 2018 (2017: 5.6) of our total staffing.
- Pro bono hosting of two physical all-day Council and two physical all-day Board meetings by supporter organizations in Tokyo, Japan, London, UK and Paris, France.

- Staffing – Our total average headcount was 29 (2017: 29), amounting to 18.2 full-time equivalents (2017: 19.3).
- Communications – Web traffic to our homepage fell 13% to 97,429 hits.
- Data protection regulations – We implemented a new data protection policy in May 2018 and trained all staff in response to the EU General Data Protection Regulations. As a consequence, the number of individuals on our mailing list fell during the year from 13,669 to 2,794 and average opens for newsletters fell from 2,749 in 2017 to 1,927.
- Theory of change – We started developing our theory of change which will help galvanise the integrated reporting movement around the business productivity, social and economic change which integrated reporting helps to bring about.

**Connection to governance:** Robust governance supports the integrity of our work, attracts funding and improves access to policymakers.

## OUTLOOK

**Our material matters section indicates the current issues that affect our ability to create value. Below we highlight two particular challenges that have potential implications for our business model and ability to achieve our mission.**

### INCREASED FOCUS IN RESPONSE TO RESOURCE CONSTRAINTS

While our income remains stable in the short-term, resource constraints continue to limit the work we would like to do. We have a full-time team member dedicated to implementing our fundraising strategy, but significant challenges remain. We have been successful in raising GBP 630k funding to date for the Better Alignment Project, but this project will absorb a good deal of our energies.

At the same time, we spread our reach widely, both geographically and the range of stakeholders we engage with. In light of this, along with the emerging picture of varied levels of adoption across the globe, we have decided that we need to further simplify our activities and ask our global team to focus on boosting momentum for integrated reporting in selected key markets in order to maximize our impact and create a strong foundation for global adoption.

2019 key market	2019 Objective
USA	Use the New York Council meeting week in November to make a highly visible impact in the U.S. market.
China	Guidelines on integrated reporting published or a public commitment to do so by Chinese Ministry of Finance.
Germany	Develop and mobilize a new strategy to grow adoption in German market.
ASEAN (Association of Southeast Asian Nations)	Build on existing momentum in ASEAN market to achieve a 'step-change' in adoption, including through launch of ASEAN IR committee and reporting awards.

USA, China, and Germany are of clear economic significance and also influence globally, while there is a short-term opportunity to capitalize on good groundwork and momentum already laid in ASEAN. This does not mean that we will cease to pursue progress in our other important markets during 2019, but by focusing on specific markets we are more likely to achieve step-change in these markets, which will provide a foundation for achieving global adoption.

### PROLIFERATION OF INITIATIVES

The proliferation of corporate reporting initiatives continues to cause confusion, reporting fatigue and fragmentation in the market. At one level, these allied efforts are welcome, as they represent a broad and mutually reinforcing movement in which integrated reporting can play a central role. However, the convening space created by the IIRC has become a contested one, with the *quantity* of reporting initiatives impeding improvement in reporting *quality*, which is increasingly demanded by the market and is fundamental to our mission. While there is some complementarity and shared goals, the competition for funding, support, and adopters provides a challenge to the IIRC's mission. The IIRC is committed to building a global agreement about the future of the corporate reporting system in all its dimensions, including a strong and compelling call for greater alignment and, ultimately, harmonization of standards to achieve a simpler and better corporate reporting landscape.

A 2019 report by McKinsey & Company mapping the non-financial reporting initiative is informing a review by our Board of our competitive landscape and market positioning.

Despite these challenges we believe can, and indeed must, achieve our mission.

# ASSURANCE REPORT OF THE INDEPENDENT AUDITOR

## OUR CONCLUSIONS

We have reviewed the Integrated Report prepared by the International Integrated Reporting Council (IIRC) in accordance with the terms of our engagement letter dated 20 August 2019. We have agreed to provide a report that will provide limited assurance that the Integrated Report has been prepared in accordance with The International <IR> Framework.

Our evidence gathering procedures were designed to obtain a 'limited level' of assurance in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised), Assurance Engagements other than the Audits or Review of Historical Financial Information, issued by the International Auditing and Assurance Standards Board. The extent of evidence gathering procedures performed is less than that of a reasonable assurance engagement (such as a financial audit) and therefore a lower level of assurance is provided.

We believe that the assurance evidence we have obtained is sufficient and appropriate to provide a basis for our conclusion.

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Integrated Report for the year ended 31 December 2018 is not prepared, in all material respects, in accordance with The International <IR> Framework.

## RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE

The Directors of IIRC are responsible for preparation and the presentation of the Integrated Report in accordance with The International <IR> Framework. This responsibility includes: (i) the identification of stakeholders and stakeholder's requirements; (ii) the identification of material issues; (iii) the design, implementation and maintenance of internal control relevant to the preparation of the report such that it is free from material misstatement, where due to fraud or error.

## OUR RESPONSIBILITY

Our responsibility is to plan and perform our limited assurance engagement so that we are able to express our limited assurance conclusion on whether anything has come to our attention that causes us to believe that the Integrated Report is not prepared, in all material respects, in accordance with The International <IR> Framework.

## THE LIMITATIONS OF OUR REVIEW

The Integrated Report includes prospective information such as strategies, plans, expectations, estimates and risk assessments. Inherent to prospective information, the actual future results are uncertain. We do not provide any assurance on the assumptions and achievability of prospective information in the Integrated Report.

## SUMMARY OF WORK PERFORMED

- Reviewed the report to assess whether it has been prepared in line with the Guiding Principles of the International <IR> Framework.
- Read the report to ensure that all eight 'Content Elements' of the International <IR> Framework are included.
- Read minutes of meetings of relevant committees to understand the progress made by the IIRC in the year in pursuit of its objectives.
- Reviewed the coverage of material issues within the report against the Board minutes, which set out the IIRC's strategic objectives, and other relevant information.
- Confirmed that selected data, statements and assertions within the report regarding the IIRC's activities which, based on our professional judgement, we considered most significant, have been extracted appropriately from underlying documentation and appropriate external sources.

## OUR INDEPENDENCE

ISAE 3000 requires us to comply with the requirements of Parts A and B of the Code of Ethics for Professional Accountants, issued by the International Ethics Standards Board for Accountants (the IESBA Code). This Code requires, among other things, that the members of the assurance team as well as the assurance firm being independent of the assurance client, including not being involved in writing the Report, and that they plan and perform the engagements to obtain limited assurance about whether data are free from material misstatement. The Code also includes detailed requirements regarding integrity, objectivity, professional competence and due care, confidentiality and professional behaviour. Crowe U.K. LLP has systems and processes in place to monitor compliance with the Code and to prevent conflicts regarding independence. Our independence from the client is reviewed on an annual basis.

## THE USE OF OUR REPORT

To the fullest extent permitted by law, we do not accept or assume any responsibility to anyone other than IIRC for our work, for this independent assurance report, or for the conclusions we have reached.

*Steve Cole*

### Crowe U.K. LLP

Chartered Accountant  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EY

5 September 2019

## GLOSSARY

ACCA	Association of Chartered Certified Accountants
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
BIAC	Business and Industry Advisory Committee to the OECD
BSR	Business for Social Responsibility
CDSB	Climate Disclosure Standards Board
CRD	Corporate Reporting Dialogue
ESG	Environmental, social and governance
FASB	Financial Accounting Standards Board
FSB	Financial Stability Board
GRI	Global Reporting Initiative
IASB	International Accounting Standards Board
ICGN	International Corporate Governance Network
IFRS	International Financial Reporting Standards
IIRC	International Integrated Reporting Council
IOSCO	International Organization of Securities Commissions
<IR> Framework	International Integrated Reporting Framework
OECD	Organisation for Economic Co-operation and Development
PRI	Principles for Responsible Investment (United Nations)
SASB	Sustainability Accounting Standards Board
SDG	Sustainable Development Goal (United Nations)
TCFD	Task Force on Climate-related Disclosures
UNCTAD	United Nations Conference on Trade and Development
UNGC	United Nations Global Compact
WBCSD	World Business Council for Sustainable Development
WEF	World Economic Forum

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