

IIRC INTEGRATED REPORT 2019

# COBUILDING CONSENSUS

TOWARDS A GLOBAL SYSTEM

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annual report 2019

<https://integratedreporting.org/integratedreport2019/>

# ABOUT THIS REPORT

## RESPONSIBILITY FOR THE REPORT

Our annual report for the year ending 31 December 2019 is in two parts:

- (a) **IIRC Integrated Report 2019** – this report is a concise communication about how we create value
- (b) **IIRC Financial Statements 2019** – a separate report containing our full financial statements, prepared in accordance with IFRS as adopted by the European Union, and other statutory disclosures.

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**To balance the twin goals of conciseness and completeness, we use a variety of formats to meet the diverse interests of our stakeholders. As well as the PDF/printed version, we provide an interactive online HTML version with features that make it easier to find, extract, and share information.**

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 2019. 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 2019 to ensure application of the requirements summarized in the appendix of the <IR> Framework.



Barry Melancon

Chair of the Board  
1 May 2020

## ABOUT THE INTEGRATED REPORTING MOVEMENT

**The concepts of integrated reporting are relevant for our time. They help redefine our understanding of value creation to ensure it is inclusive of all the drivers of performance. They are also becoming embedded within the core principles of corporate governance. Our work is a catalyst for a clearer, globally accepted and comprehensive corporate reporting system, enhancing trust and enabling meaningful measurement and disclosure of the value of business to investors and all other stakeholders representing the economy, society, and the environment.**

### TOWARDS A COMPREHENSIVE CORPORATE REPORTING SYSTEM

The IIRC's Board and Council, created to bring about an evolution in corporate reporting, are the foundation of our credibility and authority. Our mission is even more urgent today, driven by the world's commitment to meeting the Sustainable Development Goals (SDGs) as well as the technology and data revolution that is transforming our economy. Governments, regulators, and businesses must work together to meet these challenges - to realign capital allocation to the needs and interests of a sustainable and responsible economy.

Corporate reporting - and specifically integrated reporting - has its role to play. It shines light on the thinking and decision making of management and orients engagement between a business and its stakeholders. It guides investor decision making and is an important tool of corporate governance and risk management. It is invaluable for our understanding of strategy, the business model and how resources are allocated to create short, medium and long-term value while meeting the needs of investors and other stakeholders alike.

**Driven by the evidence of what works and the experience of standard setters and framework providers, it is time to develop a comprehensive corporate reporting system: an agreed set of comprehensive standards with robust global oversight to achieve legitimacy, enabling assurance and ensuring trust. This new system would amount to a positive legacy from this generation to the next. We will use our movement's credibility and authority, working selflessly and collaboratively with others, to bring this about.**

## 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 policymakers.

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, while also providing a strategic view of an organization's past performance and future prospects. It challenges the way organizations think, plan and report about the financial and other resources, or "capitals", they use and affect to create value. It is not confined to financial capital and accounting, or natural capital and sustainability reporting, but also embraces 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 separate standalone financial and sustainability reports.

## WHAT SETS INTEGRATED REPORTING APART?

With some 2,000 organizations adopting integrated reporting in over 70 markets globally, we set out its unique features:

- **Grounding in integrated thinking and strategy to create sustainable value and thus better business practice**, with the integrated report being an outcome of this process.
- **A focus on all relevant sources of value creation, including intellectual and human capitals.** We all know the critical importance of innovation, intellectual property and technology to today's business models. Integrated reporting requires organizations to also consider the impact of, for example, customer satisfaction, employee engagement, strategic alignment, governance, and associated metrics.
- **The connectivity of information.** Only integrated reporting has a focus on reporting across the whole range of capitals, which promotes connectivity rather than siloed reporting.
- **Its principles-based philosophy.** This allows integrated reporting to be endorsed by governments and regulators flexibly and consistent with regional and national cultures, for example in corporate governance codes or other regulatory signposting.

## WHO BENEFITS FROM INTEGRATED REPORTING?

- **Organizations** – integrated reporting helps organizations to understand and communicate their impact and how they create value in a holistic way. This can help improve relationships with all stakeholders, reduce cost of capital and facilitate improved long-term performance, resilience and sustainable development.
- **Investors and other key stakeholders such as customers, employees and regulators** – integrated reporting provides a comprehensive understanding of businesses and their prospects in the short, medium and long-term, enabling better informed 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, capture integrated thinking, and make a lasting contribution to organizational resilience, financial stability and sustainable development.

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.

## 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 2019 throughout this report.

### Vision

**The IIRC’s vision is to align capital allocation and corporate behaviour to wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.**

### Mission

**The IIRC’s mission is to establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.**

## FROM OUR LEADERSHIP

**In the ten years since the IIRC was created we have helped propel the wave of change that has swept across the global economy since the financial crisis. During this time, we have witnessed the emergence of many new initiatives which broadly share the same purpose. These initiatives have created awareness, developed new tools and commissioned the research and evidence base that are helping to shape a new understanding of how value should be measured, reported upon and accounted for in the twenty-first century.**

**In this integrated report you will see the further progress the IIRC has made in delivering our strategy in 2019, with increased levels of adoption, new guidance on integrated thinking, increasing support from policy makers and a clearer focus on building momentum in key markets.**



**Barry Melancon,**  
Chair, IIRC Board



**Charles Tilley,**  
Interim CEO, IIRC



**Jane Diplock,**  
Chair, IIRC Governance and  
Nominations Committee

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**As we write this statement there is a growing sense of urgency to deliver a comprehensive and aligned corporate reporting system and a matching renewal of selfless commitment on the part of this movement to put our shoulder to the wheel to achieve it. The world has also just been impacted by the coronavirus (COVID-19) pandemic, which is testing business resilience like never before and forcing the review of business models. It will also highlight the importance of human and manufactured capital. We believe that using our framework for integrated thinking and integrated reporting can support businesses and our financial markets navigate these testing and uncertain times.**



In the ten years since the IIRC was created we have helped propel the wave of change that has swept across the global economy since the financial crisis. The relevance of climate change to long-term financial performance is no longer questioned. The connection between human and intellectual capital management and prosperity is obvious. And the need for businesses to adopt more transparent practices, drawing on the discipline of integrated thinking to bring about genuine connectivity of information and underpin investor confidence and public trust, is indisputable.

During this time, we have witnessed the emergence of many new initiatives which broadly share the same purpose. These initiatives have created awareness, developed new tools and commissioned the research and evidence base that are helping to shape a new understanding of how value should be measured, reported upon and accounted for in the twenty-first century. It is our collective challenge today to join the dots between these initiatives, to create a compelling and unified movement that will bring clarity to preparers, users and all relevant stakeholders. The relevance of a conceptual framework that guides businesses on a global basis to a new natural state - a 21st century corporate reporting system based on the principle of value creation - is clear. Every business in the world has resources that it must steward carefully, taking managed risks and seizing opportunities to create value over time. If that value is created for the long term then there must be dialogue with different stakeholders to build and sustain trusted and resilient relationships, custom, and investment.

While the fundamental intellectual argument has been won, there is still much work to be done to create a comprehensive corporate reporting system with accepted and credible standards for each dimension of value and a global oversight architecture that gives legitimacy to both financial information and information across the other capitals. Information relating to the drivers of value and as such is often referred to as 'pre-financial'. We see these twin goals as supporting the global adoption of integrated reporting and it is the mission to which we are devoted.

We pursue our goals in a spirit of collaboration and we will work with established forums such as the Corporate Reporting Dialogue, the World Economic Forum and the European Union to advance both partnership and action to bring about convergence, increased relevance and achievement of our mission. During 2019 the Dialogue, in particular, has strengthened its voice and produced invaluable guidance to support business adoption of the Task Force on Climate-related Financial Disclosures (TCFD) recommendations.

Alongside much-needed changes to the structure and oversight of the corporate reporting system, the IIRC has an ambitious programme in its own right and the revision of the International Integrated Reporting Framework, now adopted in over 70 countries, is aimed at reinforcing its relevance in a world that is accepting the need for radical business model change to adopt the United Nations 2030 Global Goals and

adjust to the impact of the Fourth Industrial Revolution. In this integrated report you will see the further progress the IIRC has made in delivering our strategy in 2019, with increased levels of adoption, new guidance on integrated thinking, increasing support from policy makers and a clearer focus on building momentum in key markets. We are also pleased that steps have been taken to strengthen the level of assurance over the information in this report.

We reiterate our appreciation for Dominic Barton's leadership of our Council and wish him well with his diplomatic appointment as Canada's Ambassador to China. We also thank our Co-Deputy Council Chairs John Stanhope and Peter Bakker for their leadership until a replacement Chair is appointed.

Our small team remains devoted and energetic, championing our work and implementing our strategy with great commitment and skill. It is right that we use this opportunity to thank them for their work. We would also like to thank the many members of the broader IIRC "family", whether Board, Governance and Nominations Committee, <IR> Framework Panel or Council members, IIRC Ambassadors, partner, sponsors or individual advocates, for their support. Without them we would neither have made the progress we have, nor be able to put forward an ambitious global strategy for the future.

**Barry Melancon,**  
Chair, IIRC Board

**Charles Tilley,**  
Interim CEO, IIRC

**Jane Diplock,**  
Chair, IIRC Governance and Nominations Committee

## EXTERNAL ENVIRONMENT

**The IIRC is part of the corporate reporting ecosystem. Our <IR> Framework has several unique features, including its focus on multi-capital value creation, an emphasis on connectivity of information and its reinforcing cycle of integrated thinking and reporting. It is principles-based, meaning that it is compatible with other organizations in the corporate reporting landscape – framework providers and standard setters that are essential to achieving a comprehensive corporate reporting system.**

The evolution of corporate reporting standards and practice over time has been heavily influenced by the underlying trends facing the global economy as well as society's expectations of businesses. It is important for us to track these trends so that we can anticipate the next frontiers in corporate reporting and remain responsive and relevant to any changing circumstances in our external environment.

## KEY CURRENT TRENDS

### An increasing demand for a single set of 'non-financial' reporting standards

The World Economic Forum, the European Commission, McKinsey and Accountancy Europe are among the institutions that have heightened calls for greater standardization of non-financial reporting to enable increased comparability and trust in corporate reporting as a whole. This development is pivotal to the IIRC as it complements our calls for a comprehensive corporate reporting system and our participation in the Corporate Reporting Dialogue. As we argue in our submission to the Accountancy Europe consultation Interconnected standard-setting for corporate [reporting](#)<sup>1</sup>, “We believe that the International Integrated Reporting Framework, with its focus on multi-capital thinking, already meets many of the needs of multiple stakeholders and provides the structure to create an interconnected conceptual framework for corporate reporting”.

### 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 successfully bridged the information gap between businesses and investors in countries such as South Africa, Japan, the Netherlands and Malaysia.

### 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 corporate reporting and behaviour. This is supported by the concepts of integrated thinking and reporting.

### Inclusive capitalism

In response to the 2007/08 global financial crisis the idea of “inclusive capitalism” has advanced, giving 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 canvas to enhance our understanding of societal and human progress. These developments are relevant to the IIRC as the multiple capitals of our <IR> Framework provide a basis for understanding, measuring and articulating these broader dimensions of human, economic and social progress within organizations for all stakeholders.

### Globalization and interconnectedness

Many global institutions, including the International Monetary Fund, 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. A framework for the consideration and reporting of long-term value creation is one of the tools that have been called for by organizations such as the World Economic Forum to help address this issue.

### Technology

Trust between business and society is being transformed by social media and other technological innovations that are resulting in unparalleled levels of transparency – information that is often not controlled by the organization itself. Artificial Intelligence and automation are emerging technology themes, and there has been much discourse globally on the effect of these developments on the world of work as well as the future of professions. Less explored, perhaps, is the impact on how information is received and used by organizations: how can technology be harnessed to improve the quality of corporate reporting?

<sup>1</sup> [Accountancy Europe, Interconnected standard-setting for corporate reporting, 2019](#)

# STRATEGY AND RESOURCE ALLOCATION

## IIRC STRATEGIC PHASES

FEASIBILITY	CREATION	BREAKTHROUGH	MOMENTUM	GLOBAL ADOPTION
2010-2011	2012-2014	2015-2017	2018-2020	2021-2026
Determine the conceptual viability of and market support for integrated reporting	Develop the <IR> Framework, build global awareness and encourage experimentation	Achieve a meaningful shift towards early adoption of the <IR> Framework	Prepare for global adoption of the <IR> Framework	Completion of standards and interconnected oversight structure in place as successful outcomes

We have developed five integrated themes that aim to enhance operational delivery and support our external communications in our Momentum phase (these have been reframed since 2018):

1. **<IR> Framework: adoption, relevance, guidance** – the key way for the IIRC to demonstrate its relevance to businesses and investors.
2. **Corporate Reporting Dialogue (CRD): standards for all reporters** – helping to communicate the CRD's purpose to promote greater coherence, consistency and comparability.
3. **Coalition for change: meeting “customer” needs** – the purpose of our Council coalition.
4. **Capacity/Resources: a resilient organization** – understanding our resource needs as an organization.
5. **Corporate Reporting Map – for global adoption** to show what a successful outcome looks like.

It remains our goal to transition to the Global Adoption Phase of our strategy when a global adoption strategy has been developed and agreed by the IIRC's Board and Council.

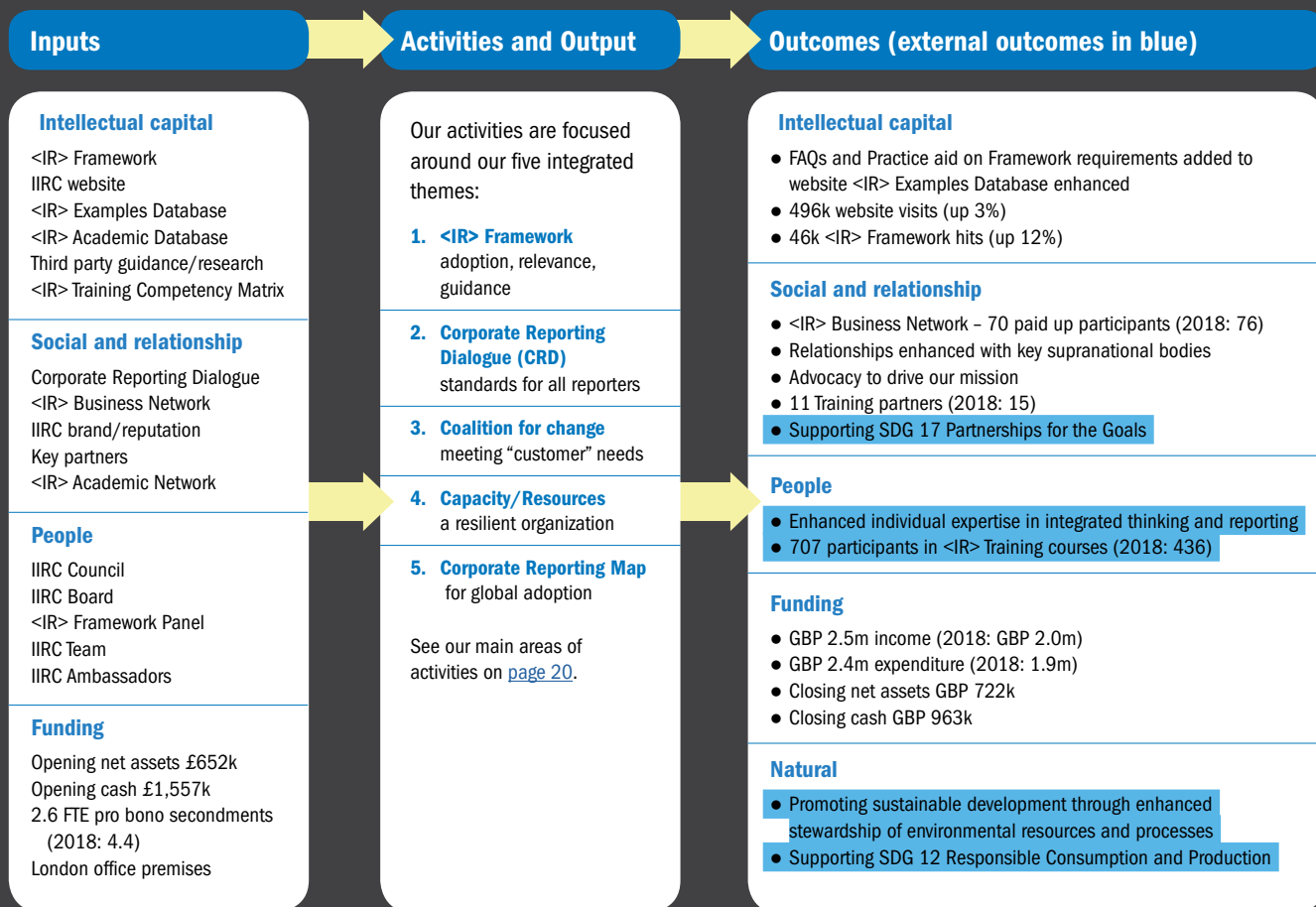
**The IIRC does not operate in a vacuum, but as part of an ecosystem of corporate reporting standard setters and framework providers. We are a coalition of shared interests and our intention is that the concepts included in our <IR> Framework become widely accepted as normal corporate reporting practice. We take a collaborative approach to our engagement with those organizations in the CRD as we build a global consensus for a comprehensive corporate reporting system.**

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 credible 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.

## IIRC TEAM STRUCTURE AND ACTIVITIES (AT YEAR END)

INTERIM CEO			
GUIDANCE, RESEARCH AND TRAINING	BUSINESS AND STAKEHOLDER ENGAGEMENT	POLICY, COMMUNICATIONS AND MARKETING	OPERATIONS
<ul style="list-style-type: none"> <li>• &lt;IR&gt; Framework technical programme</li> <li>• &lt;IR&gt; Training</li> <li>• &lt;IR&gt; Examples Database</li> <li>• &lt;IR&gt; Academic Network</li> </ul>	<ul style="list-style-type: none"> <li>• &lt;IR&gt; Business Network</li> <li>• IIRC Conferences</li> <li>• Country plans</li> </ul>	<ul style="list-style-type: none"> <li>• Policy and regulator engagement</li> <li>• Online communications</li> <li>• IIRC strategy</li> </ul>	<ul style="list-style-type: none"> <li>• Governance</li> <li>• Central business functions</li> </ul>
2.6 FTE	3.6 FTE (1.0 vacant)	3.6 FTE	4 FTE
FTE = full-time equivalent staff members			

# 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:

- Our core **intellectual capital** is the International <IR> Framework, the product of extensive consultation and multi-stakeholder perspectives developed over three years.
- Our **social and relationship capital**, including our brand/reputation, is crucial in amplifying our work, particularly given our small team, and our mission would be impossible without garnering the support of our stakeholders.
- Our **people** consist of Council members and our staff team that coordinate our activities under the oversight and direction of our Board.

- The majority of our **funding** comes from contributions and grants from our Council members, <IR> Business Network participants, and other organizations and mainly goes towards our staff and travel costs.
- Though not a significant input to our work, **natural** capital and its sustainability is a fundamental long-term outcome of our work. In the short-term our travel contributes to carbon emissions. We will look to start quantifying this in 2020.

A summary of our activities and outputs can be seen on [page 10](#), with further details provided in the 2019 performance section from [page 21](#) to [28](#).

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

## HOW OUR GOVERNANCE SUPPORTS VALUE CREATION

### 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 system change.
- Our robust governance and the calibre of our governing body members, as monitored by the **Governance and Nominations Committee**, provides the IIRC with legitimacy as a global player in the corporate reporting system.
- 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.
- Engagement with Council ensures we remain market-led, their experience and diversity ensuring we understand and appropriately connect to market developments.

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 – you can find a summary in Supplementary Information. Below we focus on governance activities and developments in 2019.

### OUR BOARD

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.

## BOARD OF DIRECTORS

At the date of this report (2019 meeting attendance rate in brackets)



**Barry Melancon,** (100%)  
*Chair of the Board*

CEO of the Association of International Certified Professional Accountants and President and CEO of the American Institute of CPAs (AICPA), Barry is a recognized expert and leader in the accounting profession and is active in shaping the role and responsibilities of the profession.



**Helen Brand OBE** (80%)

Chief Executive of the Association of Chartered Certified Accountants (ACCA) since 2008, Helen is a regular media commentator on the role ethics and the delivery of public value play in business and society.



**Aron Cramer** (60%)

President and CEO of Business for Social Responsibility since 2004, Aron is recognized globally as a pre-eminent authority on corporate responsibility and sustainability strategy by business, NGOs, and the public sector.



**Izumi Kobayashi** (80%)

Izumi is an independent board member of several Japanese corporations and involved in a variety of initiatives to improve corporate governance and corporate disclosure. Prior to this Izumi was CEO and Executive Vice President of the Multilateral Investment Guarantee Agency in the World Bank Group.



**Richard Sexton** (80%)

Richard worked at PwC for 38 years before retiring as Vice Chairman, Global Assurance in 2018. Richard was a member of PwC's Global Leadership Team with responsibility for assurance and audit, was formerly PwC's UK Assurance Leader and the inaugural Head of Reputation and Policy.



**Pru Bennett** (100%)  
*(Appointed August 2019)*

Pru advises boards on corporate governance and shareholder related issues with a focus on improved and sustainable shareholder value. She is a member of the Advisory Council for Oasis Capital and until January 2019, was a Managing Director and Head of Investment Stewardship for APAC at BlackRock.



**Michael Bray** (100%)

27 years a KPMG Australia audit partner, Michael is a Director of Better Business Reporting, and KPMG Fellow of Integrated Reporting at Deakin University. Michael is also a Project Executive of the Australian Business Reporting Leaders Forum and formerly a Director of the Australian Energy Policy Institute.



**Louise Davidson** (100%)

AM - CEO of the Australian Council of Superannuation Investors since 2015, Louise was made a Member of the Order of Australia in 2019 for significant service to the superannuation and funds management sectors, and to breast cancer research.



**David Nussbaum** (100%)  
*Deputy Chair of the Board*

David is Chief Executive of The Elders, a group of independent global leaders working to promote peace and human rights founded by Nelson Mandela, and formerly Chief Executive of WWF-UK and Chair of the International WWF Global Climate and Energy Initiative.



**UK Sinha** (100%)

UK is formerly Chairman of Securities and Exchange Board of India (2011-2017) and Chairman of the Asia Pacific Regional Committee of the International Organization of Securities Commissions. UK has actively contributed to financial sector reforms and starting the micro pension movement in India.

**Directors that have stood down:** Alexandro Broedel Lopes, January 2019 | Richard Howitt, Chief Executive Officer, June 2019

## BOARD EVALUATION 2019

Though not a legal requirement, the Board undertook its second biennial Board evaluation in 2019 (prior to the departure of CEO Richard Howitt), which comprised feedback from the IIRC Board, and the Chairs of the Council and Governance and Nominations Committee.

It was noted that since the last evaluation the IIRC has gone through significant operational change; it has transitioned from its Breakthrough strategic phase into its Momentum Phase, witnessed the emergence of new organizations and initiatives in the market and had its CEO depart. The overall view of the Board’s effectiveness remains positive and there continued to be consensus that the IIRC has a well-functioning Board. The recommendations made were therefore on the basis of further improving the Board’s effectiveness, the most noteworthy of which were:

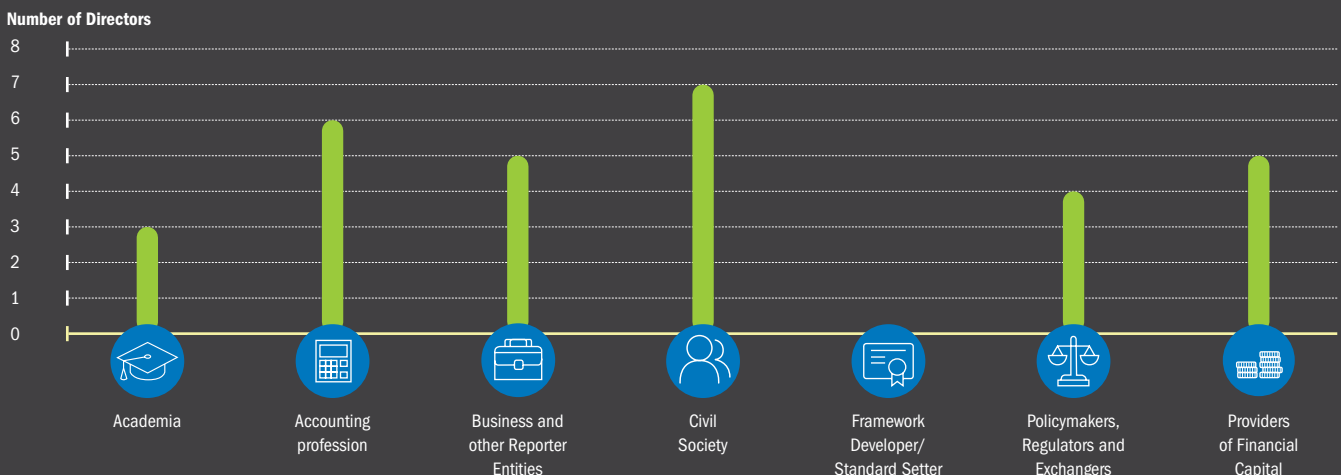
- Further refinement of IIRC’s objectives that support its strategic ambitions, with appropriate metrics to monitor success.
- Reinforcing and further embedding the IIRC’s culture.

## CHANGE OF CEO

The IIRC’s CEO Richard Howitt departed in June 2019 after nearly three years service. Charles Tilley OBE has been appointed Interim CEO in order to bring continuity of leadership at the executive level. Charles has been integral to our movement since inception; as Chair of the Technical Task Force that oversaw the development of the <IR> Framework, as a Council member in his former role as CIMA CEO and latterly as special adviser to the IIRC Board Chair and CEO. The process to appoint a new CEO has begun, with the active search to be initiated once our future strategy is decided upon in 2020.

## Experience of the Board

*(Directors can have experience in more than one category)*



## BOARD MEETINGS

There were five Board meetings in 2019, three teleconferences and two in-person, with 89% attendance rate (2018: 81%). In 2019 the Board’s focus included detailed discussion and direction regarding:

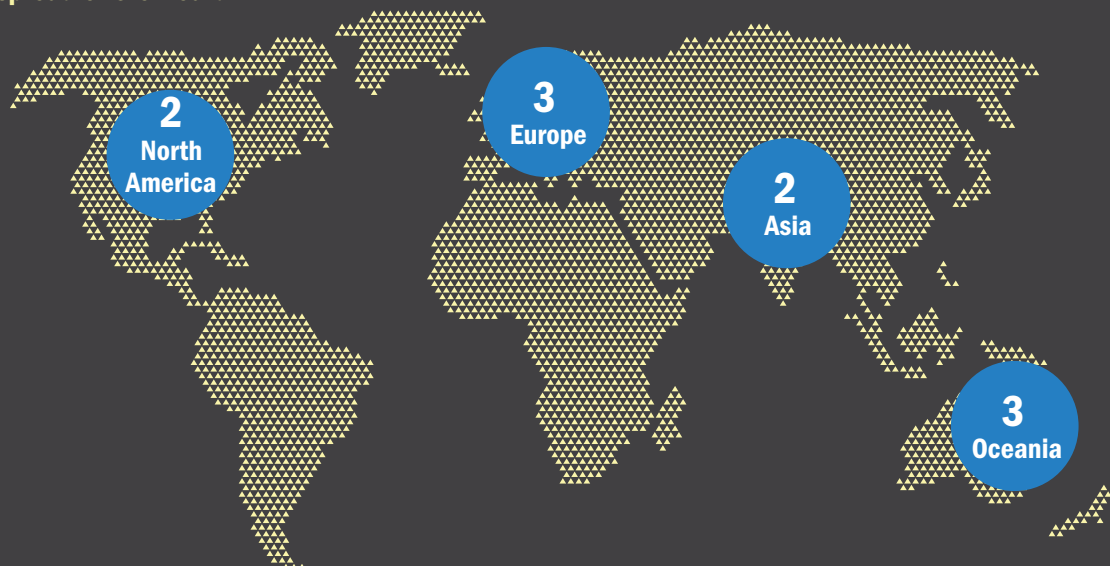
- Exploring strategic initiatives with partners to bring clarity and address confusion in the corporate reporting system.
- Undertaking ongoing evaluation of the IIRC’s management strategy, its capacity and resources and its longer-term focus in order to position the IIRC well for the future and maintain a resilient organization.
- Driving forward the Momentum Phase whilst developing strategies to appropriately position the IIRC for the Global Adoption Phase of 2021.
- Developing thought leadership critical to building credibility.
- Increasing and maintaining relevance to key stakeholders and partners across the IIRC’s activities.
- Monitoring and providing direction on the adoption, relevance, and associated guidance of the <IR> Framework.
- The departure of the IIRC CEO Richard Howitt and the subsequent process to appoint a replacement.

## ATTRIBUTES

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



## Geographic spread 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. Changes to organizations represented on Council are shown below.

A full list of our 68 Council members, and our other governance body members, at the year end is provided as supplementary information [here](#).

Joined in 2019	Left in 2019
FCLTGlobal	CLP
Institute of Chartered Accountants of India	Eumedion
Integrated Reporting Committee of South Africa	International Organization for Standardization
	RMPI Railpen

## 2019 COUNCIL MEETINGS

Date	Location	Attendance	Previous Council meeting in same city/continent
Apr. 19	Frankfurt	57%	60% (Frankfurt, Apr. 2016) 63% (Paris, Oct. 2018)
Nov. 19	New York City	51%	68% (NYC, Apr. 2017)

Though it is challenging to maintain a high attendance rate at Council (and other governance) meetings due to the seniority and geographic spread of members, these attendance figures are lower than we would like. In 2019 the IIRC initiated a review of the role, processes and constituency of the Council that will continue into 2020 to ensure we have optimal engagement and that the coalition continues to drive developments in corporate reporting globally and be a significant source of the IIRC's authority and credibility.

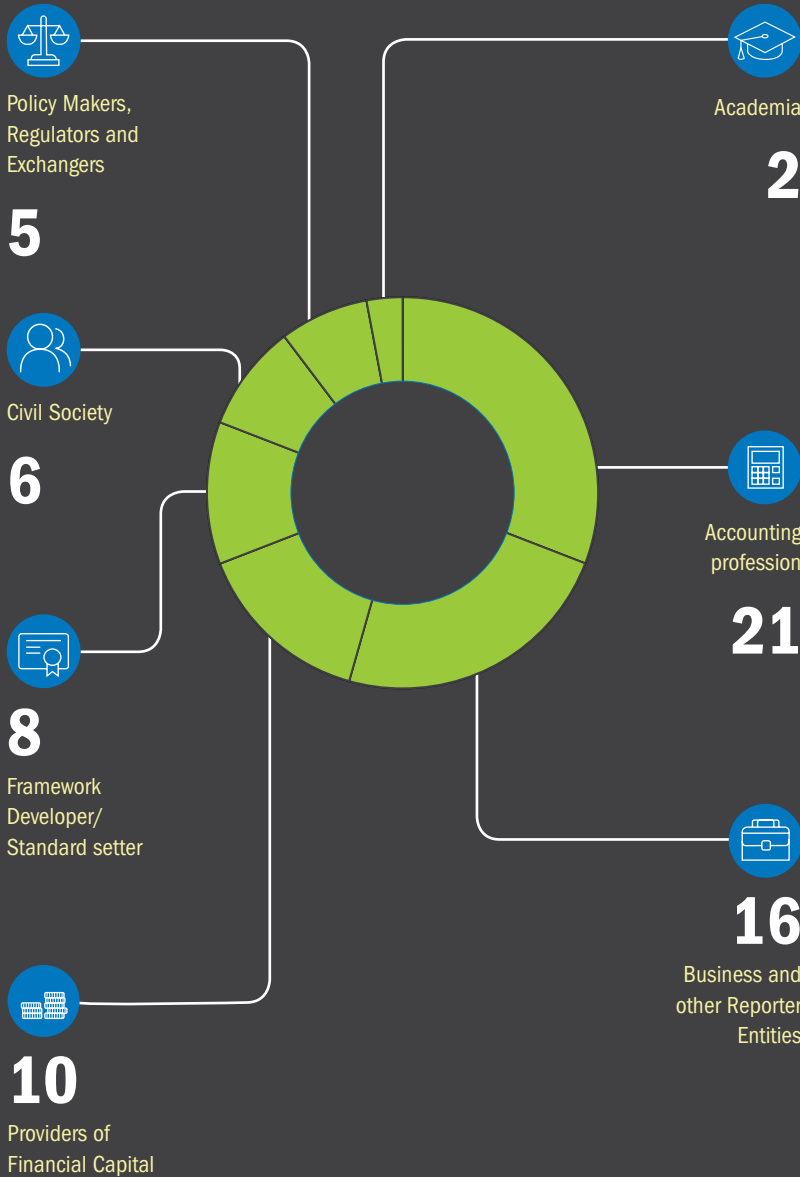
In 2019 the Council:

- Reinforced the role of the Council as the key forum for expressing the IIRC coalition's collective voice and maximizing its effectiveness in undertaking its role.
- Supported efforts to bring clarity and combat confusion in the corporate reporting system.
- Engaged on a number of strategic discussions, including the perceived proliferation of reporting standards, market and economic trends, drawing on its collective expertise to help drive corporate reporting reform.
- Endorsed a plan to carry out an update of the International <IR> Framework in 2020.

## COUNCIL CHAIR

Chair of Council, Dominic Barton, McKinsey Global Managing Partner Emeritus, stepped down as Council Chair at the end of 2019 as his new appointment as the Canadian Ambassador to China precluded him continuing in this role. However, Dominic will continue to support our mission. Co-Deputy Council Chairs, Peter Bakker and John Stanhope, will share the Chair's responsibilities until a new Chair is appointed.

## Composition of Council



## GOVERNANCE AND NOMINATIONS COMMITTEE

There were two in-person GAN Committee meetings in 2019. Attendance rate was 79% (2018: 53%).

## <IR> FRAMEWORK PANEL









The Panel met five times in 2019 to provide input and advice on a two-year technical programme. This programme, featuring some 40 action items, stemmed from the IIRC's <IR> Framework implementation feedback exercise in 2017. The Panel also laid important groundwork for the 2020 <IR> Framework revision.

## IIRC AMBASSADORS

Our 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.

# STAKEHOLDER RELATIONSHIPS

Stakeholder engagement is ingrained in our governance, strategy, business model, and activities. Our stakeholder groups, as outlined in our Constitution, 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.

Stakeholder group	Stakeholder interest	Our response
 Business and other reporter entities	Support for implementation of integrated reporting; and alignment of reporting standards and frameworks.	See <a href="#">strategic theme three</a> on how we are supporting implementation. <a href="#">Strategic theme two</a> focuses on alignment of the corporate reporting landscape – see pages <a href="#">23-24</a> .
 Providers of financial capital	Better corporate reporting to inform evaluation business and their risks and returns; and improved performance of portfolio companies.	Our <IR> Framework is specifically aimed at providing better information to providers of financial capital. We are also supporting moves for alignment of metrics.
 Framework developers and standard setters	Collaboration to reduce confusion and perception of a reporting patchwork by reporters.	<a href="#">Strategic theme two</a> focuses on alignment of the corporate reporting landscape – see pages <a href="#">23-24</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.
 Policy makers, regulators and exchanges	Improved corporate reporting that increases efficacy of capital markets and business behaviour for the long-term and wider society benefits.	See how we engage with policymakers and regulators on pages <a href="#">24-25</a> .
 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 page <a href="#">25</a> .
 Our team	An environment which facilitates good performance and professional development.	Team commitment will continue to drive our success. Our annual staff survey again showed strong alignment to the goals of the IIRC and 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.








The materiality determination process included a review of all governance meeting minutes and reviewed by 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. We have shortened the list from the prior year, reflecting the increased focus of our activities.


<span style="color: #0056b3;">R</span> - RISK <span style="color: #0070c0;">O</span> - OPPORTUNITY		
Material matter; description of risk/opportunity	IIRC response <span style="color: #90ee90;">●</span> - What we have done <span style="color: #ffff00;">●</span> - Ongoing <span style="color: #cccccc;">○</span> - What we will do	Link to strategic themes and capitals
<span style="color: #0056b3; font-weight: bold;">R</span> <b>Corporate reporting system</b> Proliferation of reporting standards and initiatives causes confusion, reporting fatigue and fragmentation, hindering adoption of integrated reporting.	<ul style="list-style-type: none"> <li><span style="color: #90ee90;">●</span> Established the Corporate Reporting Dialogue (CRD), which has created a reporting landscape map and a report towards better alignment of non-financial metrics.</li> <li><span style="color: #ffff00;">●</span> As a member continue to support the CRD as a unifying force for the alignment of metrics and framework.</li> <li><span style="color: #ffff00;">●</span> Engage with relevant global initiatives to promote the aims of integrated reporting, including the IASB management commentary practice statement, Impact Management Project.</li> <li><span style="color: #ffff00;">●</span> Develop and mobilize a global adoption strategy for a unified corporate reporting system with integrated reporting providing the link between financial and non-financial reporting.</li> </ul>	<div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">1</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">2</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">5</span> </div> <p><b>Social and Relationship</b></p> <p><b>Natural</b></p>
<span style="color: #0056b3; font-weight: bold;">R</span> <b>IIRC resource constraints</b> Resource constraints hinder ability to deliver of our strategy and achieve global adoption.	<ul style="list-style-type: none"> <li><span style="color: #ffff00;">●</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: #90ee90;">●</span> Seek to increase Council contributions income and increased support from accountancy firms.</li> <li><span style="color: #90ee90;">●</span> Review our fundraising strategy.</li> </ul>	<div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">4</span> </div> <p><b>Funding</b></p> <p><b>Human</b></p>
<span style="color: #0070c0; font-weight: bold;">O</span> <b>IIRC relationships</b> Amplify our reach and influence through leveraging further IIRC “family” including the Board, Council, and Ambassadors.	<ul style="list-style-type: none"> <li><span style="color: #ffff00;">●</span> Seek to leverage support from international business organizations and their national members, e.g. Global Network of Director Institutes and OECD Business and Industry Advisory Committee.</li> <li><span style="color: #90ee90;">●</span> Perform a review of the role, processes and constituency of the Council to maximize its effectiveness and leverage its support.</li> <li><span style="color: #90ee90;">●</span> Develop a model for country plans which leverages support of regional partners.</li> </ul>	<div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">4</span> </div> <p><b>Social and Relationship</b></p>
<span style="color: #0070c0; font-weight: bold;">O</span> <b>Investor demand for integrated reporting</b> Visible demand from investors can provide further incentive to businesses to adopt integrated reporting.	<ul style="list-style-type: none"> <li><span style="color: #ffff00;">●</span> Work closely with investor networks and bodies, in particular CFA Institute, PRI and ICGN.</li> <li><span style="color: #ffff00;">●</span> Build further the evidence base on benefits of integrated reporting to investors through partnering on research.</li> <li><span style="color: #0056b3;">●</span> Create a platform for investors and businesses to engage and interact to strengthen investor advocacy for integrated thinking and reporting, and ensuring the information needs of investors are met by the &lt;IR&gt; Framework and business practice.</li> <li><span style="color: #0056b3;">●</span> 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>	<div style="display: flex; justify-content: space-around; margin-bottom: 5px;"> <span style="border: 1px solid black; border-radius: 50%; padding: 2px 5px;">3</span> </div> <p><b>Intellectual</b></p> <p><b>Social and Relationship</b></p>


Material matter; description of risk/opportunity	IIRC response ● – What we have done   ● – Ongoing   ○ – What we will do	Link to strategic themes and capitals
<p><b>0</b> <b>Supportive regulatory environment</b> Regulatory support is considered the most significant factor in increasing market adoption.</p>	<ul style="list-style-type: none"> <li>● Engage with supranational bodies (e.g. IOSCO, G20, OECD, WEF, EU, UN agencies, APEC), utilizing national member representatives to assist in this task.</li> <li>● Influence the development/revision of national corporate governance codes.</li> </ul>	<p><b>3</b></p> <p><b>Social and Relationship</b></p>
<p><b>R</b> <b>Ease of adoption</b> The challenge of implementing integrated reporting may limit successful adoption.</p>	<ul style="list-style-type: none"> <li>● &lt;IR&gt; Training Programme established with 11 training partners.</li> <li>● Delivered technical programme in response to the &lt;IR&gt; Framework Implementation Feedback.</li> <li>● Deliver an engaging and useful &lt;IR&gt; Business Network programme.</li> <li>● Maintain the &lt;IR&gt; Examples Database.</li> <li>● Revise the &lt;IR&gt; Framework in 2020.</li> </ul>	<p><b>1 3</b></p> <p><b>Intellectual</b></p> <p><b>Human</b></p>
<p><b>R</b> <b>Credibility of integrated reports</b> <b>0</b> Lack of quality/credibility of integrated reports undermines the benefits and concept of integrated reporting. The contribution of assurance to address this is critical.</p>	<p>See "Ease of adoption" above</p> <ul style="list-style-type: none"> <li>● Engage with the IAASB Extended External Reporting (EER) Assurance Project.</li> <li>● Have our integrated report assured as an exemplar to the market and look to move from limited to reasonable assurance in the future.</li> <li>● Establish a committee to advance assurance practices.</li> </ul>	<p><b>1 3</b></p> <p><b>Intellectual</b></p> <p><b>Human</b></p> <p><b>Natural</b></p>
<p><b>R</b> <b>Making the case for integrated reporting</b> Insufficient understanding or evidence of the benefits may limit adoption/support of integrated reporting.</p>	<ul style="list-style-type: none"> <li>● Established &lt;IR&gt; Business Network Special Interest Group to develop thought leadership on the role of integrated thinking as a foundation of integrated reporting and inclusive decision making.</li> <li>● Created &lt;IR&gt; Academic Database housing relevant research.</li> <li>● Develop the business case for integrated reporting.</li> </ul>	<p><b>1</b></p> <p><b>Intellectual</b></p>


# 2019 PERFORMANCE AGAINST OUR STRATEGIC THEMES

## SUMMARY

Strategic theme	Self-assessment of progress	Commentary	Capitals impacted
1. <IR> Framework			
a. Adoption		Overall, third party research shows continued growth in adoption of integrated reporting, but regional challenges meaning that we have yet to achieve breakthrough in the key markets of USA, China, and Germany. Resource constraints limit our efforts at country level.	<b>Social and Relationship Intellectual Natural</b>
b. Relevance		We believe the <IR> Framework has retained its relevance as a holistic framework for reporting on value creation, and businesses are particularly interested in the benefits of integrated thinking as explored by our <IR> Business Network Special Interest Group, though a narrower focus by reporters on climate-related disclosures in particular, as opposed to the total value creation story, is an increasing challenge.	<b>Intellectual</b>
c. Guidance		We concluded our work on a two-year <a href="#">technical programme</a> , achieving 88% of our planned commitments. We completed the important groundwork for a 2020 revision of the <IR> Framework and contributed to several external initiatives.	<b>Intellectual Human</b>
2. Corporate Reporting Dialogue		We completed the first significant funded joint project, the Better Alignment Project, forging closer working relationships and moving further towards alignment of metrics.	<b>Social and Relationship Intellectual Natural</b>
3. Coalition for change - meeting customer needs		Our stakeholder survey and level of financial contributions indicates that we still enjoy the strong support of our Council, but we are looking at ways to increase its effectiveness as an agent for change.	<b>Social and Relationship Funding</b>
4. Capacity/Resources		Resource constraints continue to limit our ability to pursue opportunities with staff resources dropping.	<b>Funding Human</b>
5. Corporate reporting map		Participants of the Corporate Reporting Dialogue updated the <a href="#">Corporate Reporting Landscape Map</a> , and delivered the first output of the Better Alignment Project, which focused exclusively on climate-related disclosures. With increased pressure to shift from mapping and alignment activities to 'convergence and consolidation', we recognize the work ahead for the Corporate Reporting Dialogue.	<b>Intellectual</b>

 Slow progress

 Reasonable progress

 Good progress

## 1

INTERNATIONAL  
<IR> FRAMEWORK

## A. ADOPTION

Lead KPI: Number of integrated reports published annually	2019	2018
<b>GLOBAL</b>		
WBCSD member companies that produce self-declared integrated reports (158 sampled in 2018) <sup>2</sup>	20%	18%
WBCSD member companies whose report is titled "Integrated" (158 sampled in 2018) <sup>3</sup>	14%	11%
<b>REGIONAL</b>		
JAPAN – KPMG Survey of Integrated Reports in Japan <sup>4</sup>	414	341
UK – Deloitte survey of UK premium-listed FTSE companies – those clearly considering the <IR> notion of "capitals" in their business models <sup>5</sup>	38%	35%
AUSTRALIA – KPMG's survey of ASX 200 corporate reporting – companies using at least some of the principles of integrated reporting <sup>6</sup>	74%	48%

The available third party research shown above indicates continued growth in adoption of integrated reporting globally, with particularly strong momentum in Australia and Japan – in the latter companies issuing self-declared integrated reports now account for 58% of the total market capitalization.

## SPOTLIGHT ON KEY MARKETS

2019 key market and objective	2019 performance/progress
<b>USA</b> - Use the New York Council meeting week in November to make a highly visible impact in the U.S. market.	<ul style="list-style-type: none"> <li>The Conference Board published its Integrated Reporting Working Group report<sup>7</sup>, outlining the rationale for integrated reporting and its critical elements.</li> <li>USA is the largest source of visitors to our website, with a 14% increase in U.S. users in 2019.</li> <li>We are looking to work with and through local partners and the U.S. Integrated Reporting Community, with a particular focus on policy and regulatory developments and partners in the U.S.</li> </ul>
<b>China</b> - Guidelines on integrated reporting published or a public commitment to do so by Chinese Ministry of Finance.	<ul style="list-style-type: none"> <li>We maintain a strong relationship with the Ministry of Finance, who are represented on the IIRC Council and made a supportive reference to integrated reporting in their current five-year plan, although levels of adoption in China remain low.</li> <li>We have not yet secured commitment from the Ministry to issue guidelines on integrated reporting, but this remains a big opportunity for a step-change in adoption in China which we are still pursuing.</li> </ul>

<sup>2</sup>WBCSD & Radley Yeldar, *Reporting Matters, 2019*, page 11

<sup>3</sup>WBCSD & Radley Yeldar, *Reporting Matters, 2018*, page 15

<sup>4</sup>KPMG Japan *Integrated Reporting Center of Excellence, Survey of Integrated Reports in Japan 2018, 2019*, page 3

<sup>5</sup>Deloitte, *Annual report insights 2019, 2019*, page 21

<sup>6</sup>KMPG, *Corporate Reporting, 2019*, page 7

<sup>7</sup>The Conference Board *Integrated Reporting Working Group, Emergence of Integrated Reporting, 2019*

2019 key market & objective	2019 performance/progress
<p><b>Germany</b> - Develop and mobilize a new strategy to grow adoption in German market</p>	<ul style="list-style-type: none"> <li>Integrated reporting has been adopted by a small number of large German companies, such as EnBW and Munich Airport, but has faced competition in the form of the EU Non-financial Reporting Directive introduced in 2017. Germany is therefore one of our target markets for greater adoption of integrated reporting in 2020: an outreach programme to key German stakeholders is helping frame our priority activities which in 2020 will include: <ul style="list-style-type: none"> <li>Launching thought leadership on how investors in Germany use non-financial information and integrated reporting to inform investment decision making and portfolio management.</li> <li>Hosting IIRC's global conference in Frankfurt (although delayed due to the coronavirus pandemic).</li> <li>Advocacy from German integrated reporters.</li> </ul> </li> </ul>
<p><b>ASEAN</b> (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.</p>	<ul style="list-style-type: none"> <li>The ASEAN Integrated Reporting Committee was launched in 2019, chaired by Paul Chan, President of Malaysian Association of Corporate Directors.</li> <li>Paul Chan has engaged with the Director Institutes across ASEAN and has gained support from Thailand and the Philippines. We are, however, still working on appointing a representative from Singapore, the largest ASEAN economy.</li> <li>A reference to integrated reporting is included in the ASEAN Corporate Governance Scorecard, which is seen as an incentive for adoption and integrated reporting is encouraged in the Malaysian and the Philippines Corporate Governance Codes.</li> <li>Adoption of integrated reporting in Malaysia has reached 100 businesses<sup>8</sup> and the focus across the region is now on building quality through increased training and alignment of corporate reporting awards criteria to the International Integrated Reporting Framework.</li> </ul>

## B. RELEVANCE

	2019	2018	Var
<b>Website traffic (unique views):</b>			
Total	<b>496k</b>	481k	3%
<IR> Framework webpage	<b>46k</b>	41k	12%
<IR> Examples Database	<b>18k</b>	19k	-5%
Newsletter average open rate (post GDPR) <sup>9</sup>	<b>1,320</b> <b>43%</b>	1,029 40%	291 3%
Twitter followers	<b>9,812</b>	8,867	11%

<sup>8</sup>Securities Commission Malaysia, Corporate Governance Monitor 2019, page 15

<sup>9</sup>GDPR regulations came into effect May 2018 which meant we had to reduce our mailing list significantly.



- Our website achieved growth in traffic of 3%. The 12% increase in views of the <IR> Framework webpage specifically indicates continued growth in its use, echoing the adoption statistics above. The slight drop off in traffic to the <IR> Examples Database reflects a longer term trend, it is down 21% since 2015, which points to the need to promote this resource more effectively in our communications as we believe it is a valuable resource to preparers.

Weighted scores out of 5 from IIRC Stakeholder survey <sup>10</sup>	2019	2018
To what extent do you agree that integrated reporting promotes a more connected and efficient approach to corporate reporting?	4.4	4.2

- While the respondents of our stakeholder survey are naturally likely to be positive about integrated reporting, the increase in this score is positive and shows the continued relevance of integrated reporting, and its support by our stakeholders, even with the growing number of corporate reporting initiatives. This is also supported by the increase in respondents to our stakeholder survey of 64% to 403.
- The 2019 stakeholder survey does show that there remains an opportunity to enhance our communications – while only 8% rated the effectiveness of our communications as “ineffective”, the majority, 62%, rated it “somewhat effective”, with 30% rating it “effective”. We are developing our “business case” for integrated reporting in order to boost the clarity of our communications in 2020.

## C. GUIDANCE

- In 2019 we launched two major implementation tools as part of the two-year programme of guidance and other technical assistance to further clarify, simplify, and amplify the adoption of integrated reporting, on the back of our <IR> Implementation Review in 2017:
  - A set of responses to the most “[frequently asked questions](#)” on integrated reporting
  - A [practice aid](#) to help organizations navigate the International <IR> Framework requirements that must be applied before an integrated report can be said to be in accordance with the <IR> Framework.
- We also implemented enhancements to the <IR> Examples Database responding to market calls for simpler database navigation and a smaller, more manageable set of examples.

- Progress against actions arising from the <IR> Implementation Review were presented in the IIRC’s 2018-2019 Technical Programme: Progress Report, published in January 2020. The publication provided updates on over 40 action items and marked an important transition from activities focused on guidance development, research proposals, and ongoing dialogue to a modernization of the <IR> Framework in 2020.
- Read about our report on integrated thinking under theme three.

## QUALITY

- While the quantity of integrated reports continues to grow, the available research suggests we are not necessarily seeing an increase in quality. Deloitte Norway’s study of the largest 50 companies in Norway noted that there was little improvement to the previous year<sup>11</sup>. KPMG’s survey of integrated reports in Japan (as referenced above), noted plenty of areas for improvement, though it should be noted that previous research from 2017 found positive association between integrated report quality and liquidity and expected future cash flows<sup>12</sup>.
- ACCA’s analysis of <IR> Business Network participants reports found “while some aspects of reports have improved, others have slipped.”<sup>13</sup>
- Bob Eccles *et al*, found that the quality of integrated reporting has not significantly improved since their last studies (published 2015). However, they did note “all companies surveyed from South Africa, the Netherlands, and Germany produced excellent integrated reports... most of the reports published by French and Italian companies were very good and showed improvement compared to prior years, while the United Kingdom had pockets of excellence in integrated reporting.” This would indicate that regional factors are the cause for the poor quality of some reports rather than inherent difficulties.<sup>14</sup>

# 2

## CORPORATE REPORTING DIALOGUE – STANDARDS FOR ALL REPORTERS

- The [Better Alignment Project Report](#) was launched at the World Economic Forum’s Sustainable Development Impact Summit during Climate Week NYC in September 2019. We also held two online webinars introducing the findings of the report with a combined attendance of over 130. The project focused on a mapping of alignment between the frameworks of the Corporate

<sup>10</sup> For example, “Strongly agree” = 5, “Strong disagree” = 1

<sup>11</sup> Deloitte AS, [Greenwashing or measurable results? Sustainability and integrated reporting – An analysis of the 50 largest companies in Norway, 2019](#)

<sup>12</sup> Barth, M. B., Cahan, S. F., Chen, L., & Venter, E. R., *The economic consequences associated with integrated report quality: Capital market and real effects, 2017*

<sup>13</sup> The Association of Chartered Certified Accountants, [Insights into integrated reporting 3.0: The drive for Authenticity, 2019](#)

<sup>14</sup> Eccles, R. G. and Krzus, M. P. and Solano, C., *A Comparative Analysis of Integrated Reporting in Ten Countries, 2019*

Reporting Dialogue members IIRC, CDP, CDSB, GRI and SASB and the Task Force on Climate-related Financial Disclosures (TCFD) recommendations. While the consultation indicated there was market confusion regarding the differences between the reporting standards and frameworks involved, the mapping undertaken showed there is actually strong alignment of the frameworks between each other and against the TCFD recommendations.

- This project has helped foster a stronger and more urgent commitment to cooperate and converge on a seamless “system” basis (whereby CRD participants demonstrate their fit within this system and with each other) rather than an outright merger or development of a one-size-fits-all standard.

## 3 COALITION FOR CHANGE – MEETING CUSTOMER NEEDS

### A. BUSINESS

#### <IR> BUSINESS NETWORK

- At the end of the year we had 70 (2018: 76) paid-up participants from 29 countries. The 2018 number differs to what we reported last year (90) as we are applying more rigorous criteria. Renewal rate was 83% (2018: 89%), with GBP 102k contributions from seven new participants (2018: GBP 123k). We delivered 15 webinars (2018: 8) and 53 Report critiques (2018: 49), and one physical meeting.
- The IIRC surveyed the <IR> Business Network participants in Q3 2019 with 58 respondents:

	2019	2018
Satisfied/very satisfied	66%	68%
Dissatisfied/very dissatisfied	2%	7%

- The Special Interest Group on integrated thinking and strategy developed a [state-of-play report](#), released in January 2020 to coincide with the World Economic Forum meeting in Davos. This report drew on a series of corporate case studies to develop a model for integrated thinking called the “string model”, in which the multiple capitals of the <IR> Framework dynamically interact. They will continue their research on integrated thinking together with the 50 organizations represented in the group. We are also planning to launch a new Special Interest Group in Asia-Pacific.

### IIRC CONFERENCE

- We held our annual global conference in London on 16 -17 May 2019. With over 200 attendees, the feedback was positive with 83% of the 76 respondents to the evaluation survey “very” or “fairly” satisfied with the overall conference.

### B. INVESTORS

- We have continued to engage with investors, meeting with investor groups such as PRI, ICGN and the UK’s Investor Forum on a regular basis. Sarah Williamson, CEO of FCLT Global, joined our Council in 2019.
- Ron O’Hanley, CEO of State Street, addressed our November 2019 Council meeting, providing valuable insight on the information needs of mainstream investors and in particular their demand for a more streamlined system of non-financial reporting standards.
- We have secured GBP 100k funding for investor engagement in 2020, as well as articulating the benefits of multi-capitalism.
- The consultation on the revision of the Integrated Reporting Framework is intended to provide investors with the opportunity to inform the IIRC of further matters they would wish to be addressed within the framework to support their assessment of the capability of companies to create value over time.

### C. POLICY

#### KEY SUPRANATIONAL PLATFORMS:

Platform	2019 Update
B20	The IIRC addressed the B20 international business leaders’ summit in Japan, with the session exposing integrated reporting to major business associations worldwide. Our multi-capitals concept was explicitly referenced in the B20 group submission to the Osaka G20 Summit, saying it is essential for inclusive and sustainable development.
IOSCO	IOSCO <a href="#">published a statement</a> setting out the importance of disclosing more than financial information, which is material to investors’ decisions. The paper references the development of integrated reporting to support effective reporting in this area.  IOSCO invited the IIRC to present to the first IOSCO Sustainable Finance Network stakeholder meeting on developments in the corporate reporting landscape and the role of integrated reporting. This is the first time IOSCO has entered the discussion into “non-financial” reporting, signifying their changing views on corporate reporting.

Platform	2019 Update
European Commission	<p>Respondents to the European Commission fitness check on public company reporting concluded that integrated reporting could contribute to a more efficient allocation of capital<sup>15</sup>. Over half stated that the Commission should encourage integrated reporting. IIRC staff members are encouraging the Commission to ensure that the importance of connectivity of information and holistic value creation are not forgotten as they revise the Non-Financial Reporting Directive.</p> <p>IIRC staff members have been appointed to the Corporate Reporting Committee of the European Accounting Association committee, which plays the role of broker between academia and policy.</p>
WEF	The IIRC participated in the annual meeting of the World Economic Forum in Davos and engaged closely with WEF as their International Business Committee developed its work on standards for non-financial reporting.
UNCTAD	We have renewed our Memorandum of Understanding with the United Nations Conference on Trade and Development (UNCTAD), through which we will enhance our cooperation to integrate the SDGs into corporate reporting cycles.

- Together with the other participants of the Corporate Reporting Dialogue we [published a paper](#) supporting the development of better reporting guidelines for the SDGs and we continue to work with our partners at UNCTAD to promote ‘opening benchmarks’ for business reporting of the SDGs.
- We contributed to a consultation paper on SDG disclosures issued by ACCA, Chartered Accountants Australia and New Zealand and the Institute of Chartered Accountants of Scotland.
- During the B20 held in Tokyo we launched a joint “[position paper](#)” with WICI on “SDGs and Intangibles”.

## D. ACCOUNTANCY PROFESSION

- The accountancy profession is one of our most important stakeholders, including accounting institutes, accountancy firms and standard setters for both financial and non-financial information. We actively engage with them on a regular basis through membership of the Board and Council, meetings, conferences and shared work programmes; whilst secondees from the accountancy firms are an essential element of the resourcing of the IIRC.
- We renewed our Memorandum of Understanding with the International Federation of Accountants, accompanied with a rolling activity plan setting out how we will work together to help drive forward adoption of integrated thinking and reporting.
- Accountancy Europe issued a Cogito consultation paper in December 2019, which recommended integrated oversight of the corporate reporting system and suggested that the International Integrated Reporting Framework was an effective starting point as the conceptual framework linking the pillars of financial and non-financial reporting. We responded to this consultation post year-end, in April 2020.

## E. ACADEMIA

- Deakin University (Chair of the <IR> Academic Network Oversight Body) launched in October the Deakin Integrated Reporting Centre. Partners are ACCA, Chartered Accountants Australia and New Zealand, KPMG and Deakin Business School. It aims to provide strategic and operational leadership in the area of Integrated Reporting <IR> policy and technical knowledge, academic and executive education and cutting-edge research in integrated reporting in Australia and the Asia Pacific region.
- In November 2019, we organized an Academic Event in New York to raise the profile of “multi-capitalism” and “long termism” among U.S.-based academia.

## NATIONAL REGULATION/POLICY

- We welcomed the publication of the revised Australian Corporate Governance Code, which references the role integrated reporting can play in providing investors with a broader range of information to inform their investment decisions<sup>16</sup>. IIRC Board members Louise Davidson and Michael Bray, the Vice Chair of Council John Stanhope, and IIRC Ambassador Nick Ridehalgh were instrumental in this.
- We participated in the UK Financial Reporting Council’s consultation on the future of corporate reporting.
- In August 2019, the U.S. Securities and Exchange Commission (SEC) issued a proposed rule which would require companies to report to them on human capital in their Form 10-K.

## SDGs

- We continue to provide leadership and support for the Sustainable Development Goals. Through our role on the European Commission’s Multi-Stakeholder consultation on the implementation of the SDGs reflection paper, we have supported the development of a work plan in Europe, which includes a reference to the role integrated reporting can play.

<sup>15</sup>European Commission, *Summary Report of the Public Consultation on the Fitness Check on the EU framework for public reporting by companies 21 March 2018 - 31 July 2018, 2018*

<sup>16</sup>ASX Corporate Governance Council, *Corporate Governance Principles and Recommendations 4th Edition, 2019*

## 4

## CAPACITY/RESOURCES

Financial information for the group comprising International Integrated Reporting Council (a company limited by guarantee) and its subsidiary charity, Integrated Reporting Foundation<sup>17</sup>:

## GROUP INCOME STATEMENT

	2019 GBP '000	2018 GBP '000
<b>INCOME</b>		
Council contributions	738	711
Network contributions	628	564
Grants and other contributions	959	497
Training and events	193	258
	<b>2,518</b>	2,030
<b>OPERATING EXPENSES</b>		
Staff costs	(1,597)	(1,382)
Travel and subsistence	(211)	(292)
Outgoing grants	(386)	(117)
Communications and engagement	(76)	(12)
Other costs	(169)	(145)
	<b>(2,439)</b>	(1,948)
<b>OPERATING SURPLUS/(DEFICIT)</b>	<b>79</b>	82
Other non-operating income	8	3
<b>SURPLUS/(DEFICIT) BEFORE TAX</b>	<b>87</b>	85
Tax expense	(17)	(19)
<b>SURPLUS/(DEFICIT) FOR THE YEAR</b>	<b>70</b>	66

## Financial commentary

- **Income increased by 24% due largely to recognition of CRD Alignment Project funding and an increase in the average number of paying <IR> Business Network participants.**
- **The 25% increase in expenditure largely stems from the CRD Alignment Project and changes in IIRC staff.**

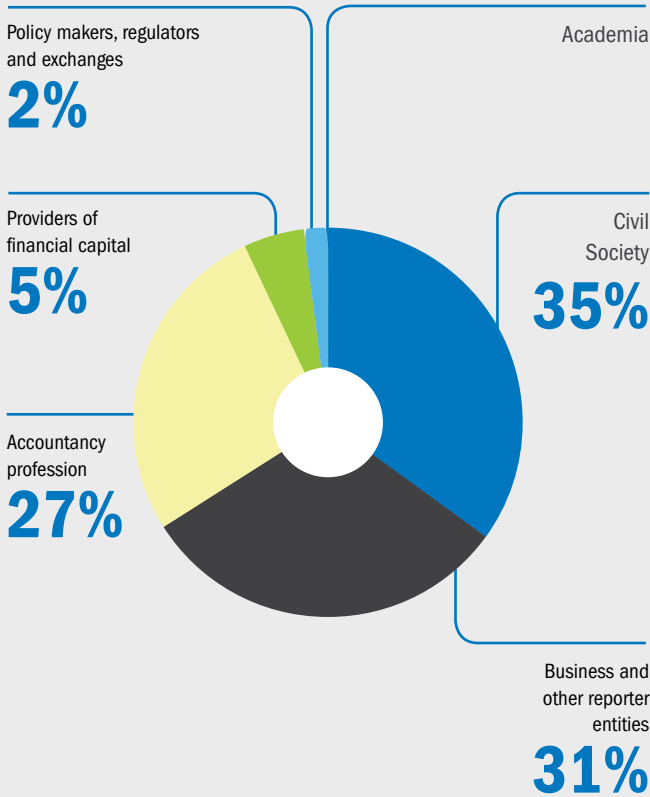
<sup>17</sup>The financial information presented in the Integrated Report does not constitute the IIRC's annual statutory financial statements for the year ended 31 December 2019 but is derived from those financial statements. The auditor's report on the statutory financial statements was signed on 4 May 2020. 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.

## GROUP BALANCE SHEET

	2019 GBP '000	2018 GBP '000
<b>ASSETS</b>		
<b>CURRENT ASSETS</b>		
Trade and other receivables	183	175
Prepayments and accrued income	331	42
Cash at bank	963	1,557
<b>TOTAL ASSETS</b>	<b>1,477</b>	<b>1,774</b>
<b>EQUITY</b>		
<b>ISSUED CAPITAL AND RESERVES</b>		
Retained surplus	722	652
<b>LIABILITIES</b>		
<b>CURRENT LIABILITIES</b>		
Accruals and deferred income	660	1,010
Trade and other payables	95	112
	755	1,122
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>1,477</b>	<b>1,774</b>

- **The CRD Alignment Project is also the main reason for the balance sheet movements.**
- **Year-end unrestricted cash of £874k is equivalent to 6 months of unrestricted operating expenditure (target = 6 months).**
- **For a detailed financial account please refer to the IIRC Financial Statements 2019.**

## 2019 INCOME BY STAKEHOLDER GROUP



- We published our 2018 integrated report with, for the first time, limited assurance from an independent auditor. Our Board’s decision to seek assurance reflects our determination to follow the principles we advocate, as well as to ensure the IIRC’s key stakeholders can have confidence in our value creation story. We will seek to lead the way in obtaining reasonable, rather than limited, assurance for our 2020 report.
- The 2019 Team Engagement Survey showed that the team is conscious of the IIRC’s resource constraints and need to prioritize activities, but nonetheless praise the organizational culture and quality of working relationships. The team also continues to be strongly motivated by the IIRC’s mission.

## 5 CORPORATE REPORTING MAP

- In Q1, participants of the Corporate Reporting Dialogue updated the [Corporate Reporting Landscape Map](#), illustrating how their respective standards, frameworks and initiatives support the purpose, scope and content of integrated reports.
- We have started the process of developing a corporate reporting system map, which is the basis for discussion with all key stakeholders. By illustrating the role of each framework provider and standard-setter, it is easier to identify the need to address gaps in the system, and explain the purpose of corporate reporting, and its role in delivering better outcomes - whether from the perspective of investors or broader stakeholders.

## 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 AICPA.
  - Staff seconded *pro bono* from other organizations, mostly professional services firms, continued to fall, accounting for 2.6 full-time equivalent (FTE) in 2019 (2018: 4.4) of our total staffing.
  - *Pro bono* hosting of one physical all-day Council meeting, and two physical all-day Board meetings by supporter organizations.
- Employee turnover in 2019 was 43% (2018: 47%). We are implementing measures to try to reduce this.

## OUTLOOK

Our material matters section indicates the current issues that affect our ability to create value.

Our 2020 annual plan addresses both our strategic focus upon a corporate reporting system meeting the needs of both investors and society, and the ongoing operations of the IIRC.

**From a strategic perspective, the IIRC is committed to the convergence of the corporate reporting system and we are working with many of the stakeholders of the system in this regard, including regulators, investors, businesses, the accounting profession, standard setters and NGOs. Our responses to the ongoing external developments referenced below are all focused upon this convergence. This includes our membership of the Corporate Reporting Dialogue.**

From an operational perspective, our plan for 2020 focuses on the ongoing implementation of the IIRC's strategy, maintaining our activities to deliver our Momentum Phase. The speed and effectiveness of implementation is dependent upon the resources available. Implementation and increasing the level of resources are our primary objectives. It will also be impacted by the coronavirus pandemic. Our 2020 priorities are:

- (a) **Council** – Revised structure, operating model, and positioning in the market of our Council in place to support global adoption.
- (b) **Regional plans** – Clear pathway and progress towards adoption regionally.
- (c) **Business case** – Enhanced support and fundraising potential enabled by a strengthened business case.
- (d) **<IR> Framework revision** – Maintain the relevance of our main product, reflecting market feedback and continued adaptability to individual business circumstances.
- (e) **Messaging/advocacy** – Growing acceptance that integrated reporting provides context of how a business is positioned for the future.
- (f) **Funding** – Medium/Long-term funding model in place that will provide necessary resource to achieve Global Adoption Phase.
- (g) **Stakeholders** – Secure buy-in from key stakeholder groups for our global adoption strategy.

Our 2020 plan and budget represent “business as usual”, however, we are also focused on ultimately delivering convergence, relevance, and the global adoption. 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.

This environment is moving extremely fast, with uncertainty increased by the coronavirus pandemic, and therefore outcomes cannot be specified, but we particularly aim to work with the Corporate Reporting Dialogue on a standards solution and with Accountancy Europe and the Global Public Policy Committee of the largest six accountancy firms.

Significant ongoing external developments include:

- Accountancy Europe issued a Cogito consultation paper in December 2019, which recommended integrated oversight of the corporate reporting system and suggested that the International <IR> Framework was an effective starting point as the conceptual framework linking the pillars of financial and non-financial reporting<sup>18</sup>.
- World Economic Forum issued a consultation report<sup>19</sup> in January 2020 proposing 22 common metrics for consistent reporting of long-term value creation. In our April 2020 response we mapped these metrics to the <IR> Framework.
- EU Vice-President Dombrovskis stated in January 2020 that a renewed sustainable finance strategy will be presented later in 2020, requiring increased disclosure of reliable information. He is to invite EFRAG to begin preparatory work for these standards as quickly as possible, using as a starting point the “best and most widely accepted elements of what exists today”.
- We are participating in the IASB Advisory Group to support the review of the Practice Statement on Management Commentary, with publication expected in Q4 2020. We see this process as a major opportunity to advance the principles of integrated reporting in mainstream reporting practices internationally.
- We are contributing to the IAASB's extended external reporting assurance project, with assurance a strategically important matter for the IIRC.
- The EU Commission is consulting on the implementation of the Non-Financial Reporting Directive.

## Like every organization around the world, the 2020 coronavirus pandemic has brought with it challenges to the way the IIRC operates in ways we are just beginning to understand.

In these unprecedented times the financial impact on the IIRC is uncertain but there is a risk our income could be significantly impacted to the extent that current and prospective Council member and Business Network organizations, the source of the majority of our ongoing income, are unable to continue their annual financial and in-kind contributions to the IIRC. While this would hinder our progress towards achieving our mission, the nature of our business and our cash reserves will help see us through in the short term. In light of this we are escalating our efforts to boost and diversify our income.

We are finding new ways to ensure our relationship capital, which has traditionally been developed through events and meetings, remains strong. Like others around the world, we are harnessing the power of technology to ensure the IIRC through our Council, Board, <IR> Business Network and team can continue to be an innovative force towards integrated reporting. This pandemic reinforces the importance of multi-capitalism, as businesses draw on their human, social and manufactured capitals to create value during these turbulent times.

The April 2020 IIRC Council meeting will, therefore, be more important than ever. We will be presenting a range of options to seek consensus on the IIRC's future strategic direction, in line with our goal to normalize integrated thinking and reporting.

The demand for integrated reporting continues to grow and we are focused on delivering for our stakeholders.

<sup>18</sup> [Accountancy Europe, Interconnected standard-setting for corporate reporting, 2019](#)

<sup>19</sup> [World Economic Forum, Toward Common Metrics and Consistent Reporting of Sustainable Value Creation, 2020](#)



# 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 2019 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 stakeholders' 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.

*Crowe U.K. LLP*

**Crowe U.K. LLP**  
Chartered Accountant  
St Bride's House  
10 Salisbury Square  
London  
EC4Y 8EY

Date: 4 May 2020

# ACRONYMS

## **ACCA**

Association of Chartered  
Certified Accountants

## **GRI**

Global Reporting  
Initiative

## **<IR> Framework**

International Integrated  
Reporting Framework

## **TCFD**

Task Force on  
Climate-related  
Disclosures

## **ASEAN**

Association of Southeast  
Asian Nations

## **IASB**

International Accounting  
Standards Board

## **OECD**

Organisation for  
Economic Co-operation  
and Development

## **UNCTAD**

United Nations  
Conference on Trade and  
Development

## **APEC**

Asia-Pacific Economic  
Cooperation

## **ICGN**

International Corporate  
Governance Network

## **PRI**

Principles for  
Responsible Investment  
(United Nations)

## **WBCSD**

World Business  
Council for Sustainable  
Development

## **CDSB**

Climate Disclosure  
Standards Board

## **IIRC**

International Integrated  
Reporting Council

## **SASB**

Sustainability Accounting  
Standards Board

## **WEF**

World Economic Forum

## **CRD**

Corporate Reporting  
Dialogue

## **IOSCO**

International  
Organization of  
Securities Commissions

## **SDG**

Sustainable  
Development Goal  
(United Nations)

**Prepared in partnership with Smart Media**

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INTEGRATED REPORTING <IR>

**International Integrated Reporting Council**

The Helicon, Third Floor, 1 South Place, London EC2M 2RB, UK

Web: [www.integratedreporting.org](http://www.integratedreporting.org)

Twitter: @theiirc