

INTEGRATED REPORTING <IR>

# **International Integrated Reporting Council**

## **Governance**

### **April 2012**

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## Introduction

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The International Integrated Reporting Council ('the IIRC') has brought together world leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society and standard-setting sectors to develop a new approach to reporting. This approach, Integrated Reporting, will help to address the requirements of the 21st century. It builds on the foundations of financial, management commentary, governance and remuneration, and sustainability reporting in a way that reflects their interdependence.

The IIRC's mission is to create *the* globally accepted Integrated Reporting framework ('the Framework'), that elicits from organizations all material information about their strategy, governance, impacts, performance and prospects in a clear, concise and comparable format; to secure the adoption of Integrated Reporting by report preparers and gain the support of regulators and investors.

The IIRC's vision is for Integrated Reporting to be accepted globally as the corporate reporting norm, benefiting organizations, investors and society by encouraging sound and well-informed decision-making that leads to efficient capital allocation, sustainable growth and prosperity.

The IIRC comprises a Council ('the Council'), a working group ('the Working Group') and a secretariat ('the Secretariat'), together with such sub-committees and task forces as may from time to time be established. It enjoys legal personality through incorporation as International Integrated Reporting Council Limited, a private company limited by guarantee ('the Company'), subject to the oversight of its directors (collectively 'the Board'), who have fiduciary duties and are accountable to the Company and consequentially accountable to the IIRC.

## Roles and Responsibilities

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### Roles

#### ***Council***

The Council's role, as a forum for senior representatives of the IIRC's member organizations, is to:

- i) Advise on the IIRC's mission, role and governance practices;
- ii) Provide thought leadership, intellectual contribution and strategic insights relating to IIRC initiatives and activities;
- iii) Lend weight and credibility to the IIRC's profile.

#### ***Working Group***

The Working Group's role is to provide practical guidance in developing positions and making recommendations as appropriate to the Board and Council on matters submitted for its review in the context of the IIRC's initiatives and activities, notably as they relate to the process to:

- i) Develop the Framework;
- ii) Promote the adoption of Integrated Reporting by relevant government and regulatory bodies, report preparers and investors; and
- iii) Determine long-term institutional arrangements for the IIRC.

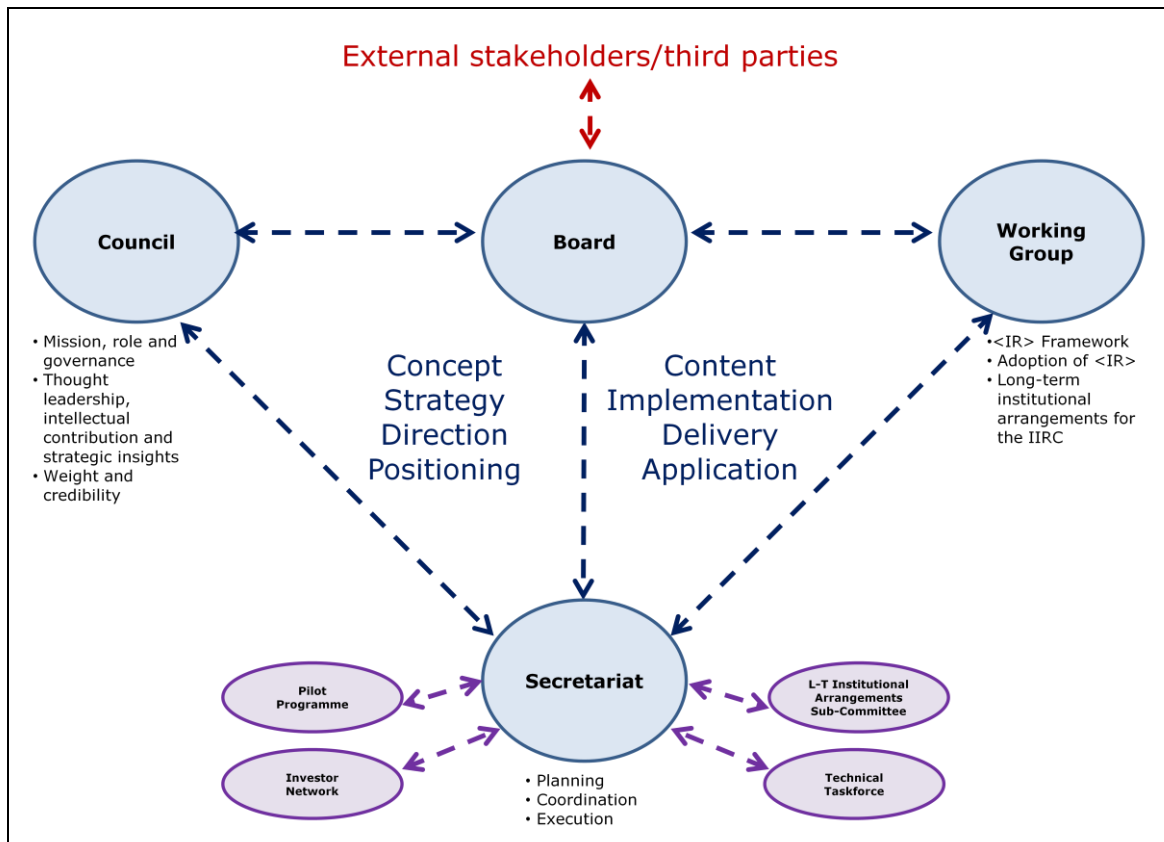
#### ***Secretariat***

The Secretariat's role is to ensure the planning, coordination and execution of initiatives, activities and interactions undertaken in support of the IIRC's mission and role.

#### ***Board***

The Board's role is to direct the Company's affairs and notably to oversee the coordination and interaction between the Council, the Working Group and the Secretariat (together with such sub-committees and task forces as may from time to time be established), as well as with external stakeholders and other parties.

## Roles and Responsibilities



*IIRC: Organization structure*

## Responsibilities

1. The responsibilities of the Board will be those prescribed by law, the Company's articles of association and good practice for the direction and oversight of the Company's activities in support of the IIRC's mission and role.
2. The Board reserves to itself the responsibility, having due regard for the advice and recommendations of the Council and the Working Group as appropriate, to:
  - i) Approve strategy and policy relating to the IIRC's activities and monitor and evaluate their implementation;
  - ii) Review progress against workplans and budgets;
  - iii) Approve the issue of documents for public consultation in relation to the development of the Framework, including approval for issue of the Framework itself and related guidance material, or any draft thereof;
  - iv) Appoint and remove the Chief Executive Officer, delegating to him/her such authority as is required for the management of the IIRC;
  - v) Establish executive remuneration policy;
  - vi) Appoint members of committees and task forces established in support of the IIRC's mission and role and approve their terms of reference;
  - vii) Review and approve the Company's financial statements;

**Roles and Responsibilities**

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- viii) Appoint new directors;
  - ix) (Re-)appoint the external auditor.
3. The Board shall ensure a due process of consultation and liaison with the Council and Working Group relating to initiatives and activities undertaken in support of the IIRC’s mission and role, including:
- i) Ensuring that the Working Group’s recommendations are sought on matters relating to the process to:
    - a) Develop the Framework;
    - b) Promote the adoption of Integrated Reporting by relevant government and regulatory bodies, report preparers and investors; and
    - c) Determine long-term institutional arrangements for the IIRC;
  - ii) Providing periodic reports to the Council on the Company’s performance and financial position; and
  - iii) Submitting certain decisions to the Council in advance for its consideration and recommendation on a “concur/non-concur” basis (it being understood that the Board elects not to act in contravention of a “non-concur” recommendation), including on a non-exclusive and non-exhaustive basis, those to:
    - a) Appoint and remove any director;
    - b) Revise the Board Charter;
    - c) Appoint members of the Council;
    - d) Appoint members of the Governance Committee and/or revise its terms of reference;
    - e) Appoint and remove the Chief Executive Officer, revise his/her mandate and/or (the Council acting through the Governance Committee) determine his/her remuneration;
    - f) Appoint the Chairman and Deputy Chairman of the Working Group;
    - g) Approve the material content (i.e. excluding typographical, grammatical and/or non-substantive corrections) of draft versions of the Framework and related guidance material for public consultation and final versions for adoption.

**Board Charter**

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**1. Membership of the Board**

1.1 The Board will at any given time comprise (in each case reference to a position in any body or committee shall include the comparable post in any successor body or committee):

- i) The Chairman of the Council, who will also serve as Chairman of the Board ('the Chairman');
- ii) The Deputy Chairmen of the Council;
- iii) The Chairman of the Working Group;
- iv) The Deputy Chairman of the Working Group;
- v) The Chairman of the Long-Term Institutional Arrangements Sub-Committee; and
- vi) The Chief Executive Officer.

Other individuals may also be appointed to the Board in consultation with the Council.

1.2 Appointment as a director shall in principle be for a two-year term. Directors' terms shall be staggered, such that the term of a proportion of the directors shall conclude each year. Directors shall be eligible for re-appointment at the conclusion of any given term.

1.3 Directors shall, to the extent they relinquish the position for which they have been appointed to the Board, resign as a director, or, to the extent they cease to be a director, relinquish the position for which they have been appointed to the Board.

1.4 Directors shall become registered members of the Company, their membership terminating forthwith upon their ceasing to be a director.

**2. Chairman**

2.1 The Chairman will preside over every meeting of the Board. In the Chairman's absence, meetings of the Board will be chaired by either of the Council's Deputy Chairmen (themselves being directors), failing whom those other directors participating in a quorate Board meeting will appoint one of their number to preside over the meeting.

**3. Governance**

3.1 The Board shall provide for appropriate risk management, accounting, audit and Board evaluation policies and processes.

3.2 A Governance Committee shall be charged with oversight of the IIRC's governance arrangements, including audit, risk management and executive remuneration. The Governance Committee shall be composed exclusively of members nominated by the Council from among its number.

**Board Charter**

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**4. Board proceedings**

- 4.1 The Board shall meet as convened by the Chairman and in principle once a month, whereby the directors are either physically present, or participate via teleconference. The Chairman shall convene a meeting of the Board within a reasonable period of time if so requested by any director.
- 4.2 The quorum for any deliberations of the Board shall be the physical presence or participation via teleconference of fifty percent of the directors then in office plus one.
- 4.3 Decisions of the Board shall in principle be taken on a consensual basis by those directors participating in any quorate Board meeting. To the extent a formal vote is deemed necessary, a decision shall be validly taken if agreed by a simple majority of those directors participating in a quorate Board meeting. The Chairman shall be entitled to vote and, in the event of an equal number of votes being cast by those participating, shall have an additional casting vote.
- 4.4 Valid decisions may also be taken by the Board, to the extent that they are supported by all the directors in writing, including by signed fax or by e-mail.

**5. Conflicts of interest**

- 5.1 Directors shall declare any conflict of interest at the outset of any deliberation on the matter giving rise to it. Any director declaring a conflict of interest shall not count towards the requisite quorum for, and shall not take part in, any decision by the Board relating to the matter in question.

**6. Individual director responsibilities**

- 6.1 Directors will:
  - i) Endeavour to participate in all meetings of the Board and contribute fully, frankly and constructively to its deliberations;
  - ii) Exercise independence of judgment, acting legally and in good faith to promote and protect the interests of the Company and the IIRC, to the exclusion of their own personal and/or any third party interests; and
  - iii) Use information received in their capacity as a director with due discretion and solely to the ends for which it was provided.

**7. Representative authority**

- 7.1 Any director may speak about the IIRC and its activities, but authority to speak on behalf of the IIRC and/or the Company in an official, representative capacity is, unless otherwise agreed by the Board, reserved to the Chairman and the Chief Executive Officer and those requested by the Chairman and/or the Chief Executive Officer to act in such capacity.



## Board Charter

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### **8. Payments to directors**

- 8.1 Other than the Chairman, whose costs when acting in such capacity will be borne by the Company, directors will bear the cost of their participation in Board meetings, provided that arrangements may be made on a case-by-case basis for individual directors by prior arrangement with the Chairman to reimburse reasonable out-of-pocket expenses (against presentation of supporting receipts) incurred solely to facilitate attendance at any given Board meeting.

### **9. Revisions**

- 9.1 Revisions to this Board Charter require the approval of the Board, acting in consultation with the Council.

**Council Terms of Reference**

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**1. Membership of the Council**

- 1.1 Membership of the Council will to the extent practicable reflect the IIRC’s international scope and members (each a ‘Council member’) will primarily, albeit not exclusively, be drawn from the following stakeholder groups:
  - i) Reporting organizations (including companies);
  - ii) Investors;
  - iii) Policy-makers, regulators and standard-setters;
  - iv) Intergovernmental organizations;
  - v) The accounting profession;
  - vi) Civil society; and
  - vii) Academia.
- 1.2 Individuals designated as Official Observer may attend Council meetings and participate in Council deliberations, but shall take no part in the Council’s formal decision-making process.
- 1.3 As at the date hereof, the Council consists of those individuals whose names are appended hereto.
- 1.4 Membership of the Council will cease:
  - i) Upon notification to such effect to the Chairman (as hereafter defined); or
  - ii) To the extent any Council member relinquishes his/her position within the organization that he/she represents on the Council, whereupon such organization may, with the agreement of the Chairman, designate a new representative, who shall in principle be the relinquishing individual’s successor in his/her role within such organization.
- 1.5 The Chairman may appoint new Council members and/or Official Observers with the approval of the Board, subject to endorsement by the Council at its next subsequent meeting.

**2. Chairman of the Council**

- 2.1 Council members shall from time to time appoint one of their number as Chairman of the Council (‘the Chairman’) and may appoint one or more of their number as Deputy Chairman. The Council shall determine the period for which the Chairman and Deputy Chairmen shall hold office.
- 2.2 The Chairman will preside over every meeting of the Council. In the Chairman’s absence, meetings of the Council will be chaired by a Deputy Chairman, failing whom those Council members present will appoint one from among their number to preside over the meeting.

**3. Council proceedings**

- 3.1 The Council shall meet as convened by the Chairman and in principle twice a year for one day each time, at approximately six-monthly intervals. The Chairman shall convene a meeting of the Council within a reasonable period of time if so requested by the Board.

**Council Terms of Reference**

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- 3.2 The directors of the Company shall attend each Council meeting *ex officio* as Official Observers, to the extent not themselves already Council members. Others may attend any Council meeting as observers by prior arrangement with the Chairman.
- 3.3 Council members are expected to make every effort to attend all Council meetings, but may:
  - i) By prior arrangement with the Chairman, be represented by an alternate with full authority to represent the Council member in all respects, including in any vote undertaken on any issue by the Council; or
  - ii) Appoint any Council member, including the Chairman, as his/her proxy, with full power to exercise a vote on his/her behalf on any issue submitted to a vote by the Council. There shall be no limit on the number of proxies that any Council member may hold at any meeting.
- 3.4 The agenda for each Council meeting will be determined by the Chairman in consultation with the Board.
- 3.5 Decisions of the Council, including its concurrence in any decision and/or course of action submitted to it by the Board for its consideration and recommendation, shall be validly taken if approved by a simple majority of those Council members present or represented (whether by an alternate or via proxy) at any Council meeting, **provided that** the support of at least two-thirds of all Council members (whether given in person, by an alternate or via proxy) shall be required to evidence the Council's approval of the material content (i.e. excluding typographical, grammatical and/or non-substantive corrections) of draft versions of the Framework and related guidance material for public consultation and final versions for adoption.
- 3.6 The Chairman shall be entitled to vote on any given motion submitted to the Council for decision and, in the event of an equal number of votes being cast for and against, shall have an additional casting vote.
- 3.7 Valid decisions may be taken by the Council without need for a meeting, to the extent that they receive the support of at least fifty percent of all Council members in writing, including by signed fax or by e-mail, **provided that** the support of at least two-thirds of all Council members shall be required to evidence the Council's approval of the material content (i.e. excluding typographical, grammatical and/or non-substantive corrections) of draft versions of the Framework and related guidance material for public consultation and final versions for adoption.
- 3.8 The Chairman shall cause minutes to be taken of all Council meetings. Minutes shall be circulated to all Council members following each meeting and subject to review and approval by Council members not later than the next subsequent Council meeting.

**4. Individual Council member responsibilities**

- 4.1 Council members will:
  - i) Endeavour to participate in all meetings of the Council and contribute fully, frankly and constructively to its deliberations;

**Council Terms of Reference**

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- ii) Exercise independence of judgment, acting legally and in good faith to promote and protect the public interest, in which the IIRC seeks to act, to the exclusion of their own personal and/or any third party interests; and
- iii) Use information received in their capacity as a Council member with due discretion and solely to the ends for which it was provided.

**5. Use of inputs**

- 5.1 The IIRC may freely use any ideas, comments, material or other input of whatsoever nature provided by Council members, including for the purposes of furthering, developing, publishing, including within, distributing or implementing the Framework.

**6. Representative authority**

- 6.1 Any Council member may speak about the IIRC and its activities, but authority to speak on behalf of the IIRC in an official, representative capacity is, unless otherwise agreed by the Board, reserved to the Chairman and the Chief Executive Officer and those requested by the Chairman and/or the Chief Executive Officer to act in such capacity.

**7. Payments to Council members**

- 7.1 Other than the Chairman, whose costs when acting in such capacity will be borne by the Company, Council members will bear the cost of their participation in Council meetings, provided that arrangements may be made on a case-by-case basis for individual Council members by prior arrangement with the Chairman to reimburse reasonable out-of-pocket expenses (against presentation of supporting receipts) incurred solely to facilitate attendance at any given Council meeting.

**8. Revisions**

- 8.1 Revisions to these Terms of Reference require the approval of the Board, acting in consultation with the Council.

## **Working Group Terms of Reference**

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### **1. Membership of the Working Group**

- 1.1 Members of the Working Group (each a 'member') will be appointed by the Chairman of the Working Group ('the Chairman') with the approval of the Board, following nomination by their respective organizations. Membership will cease, to the extent any member is no longer involved with the relevant organization in respect of which he/she is appointed to the Working Group.
- 1.2 The Working Group will at any given time comprise a broad cross-section of representatives of corporate, investment, accounting, securities, regulatory, academic, standard-setting and civil society organizations, reflecting the international focus and scope of the IIRC's activities.

### **2. Chairman of the Working Group**

- 2.1 The Board will appoint the Chairman and a Deputy Chairman of the Working Group ('the Deputy Chairman'), each of whom shall also be a director of the Company.
- 2.2 The Chairman, or in his/her absence, the Deputy Chairman, will preside over every meeting of the Working Group, failing whom those members participating in any meeting will appoint one of their number to preside over the meeting.

### **3. Working Group proceedings**

- 3.1 The Working Group shall meet as convened by the Chairman and in principle three times a year for one day each time, at approximately four-monthly intervals, whereby the members are either physically present, or participate via teleconference. The Chairman shall convene a meeting of the Working Group within a reasonable period of time if so requested by the Board.
- 3.2 The agenda for each Working Group meeting will be determined by the Chairman in consultation with the IIRC's Chief Executive Officer.
- 3.3 In principle, members who are unable to attend any Working Group meeting may not be represented by an alternate, other than on an exceptional basis by prior agreement with the Chairman.
- 3.4 Observers may attend Working Group meetings by prior agreement with the Chairman.
- 3.5 The Working Group shall in principle operate on a consensual basis. Failing full consensus, the Chairman or Deputy Chairman will present to the Board what he/she reasonably believes to be the majority view of the Working Group on any given issue under consideration, noting any significant dissenting views.

### **4. Individual Working Group member responsibilities**

- 4.1 Members will:
  - i) Endeavour to participate in all meetings of the Working Group and contribute fully, frankly and constructively to its deliberations;

## Working Group Terms of Reference

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- ii) Exercise independence of judgment, acting legally and in good faith to promote and protect the public interest, in which the IIRC seeks to act, to the exclusion of their own personal and/or any third party interests; and
- iii) Use information received in their capacity as a member with due discretion and solely to the ends for which it was provided.

### **5. Use of inputs**

- 5.1 The IIRC may freely use any ideas, comments, material or other input of whatsoever nature provided by members, including for the purposes of furthering, developing, publishing, including within, distributing or implementing the Framework.

### **6. Representative authority**

- 6.1 Any member may speak about the IIRC and its activities, but authority to speak on behalf of the IIRC in an official, representative capacity is, unless otherwise agreed by the Board, reserved to the Chairman of the Council and the Chief Executive Officer and those requested by the Chairman of the Council and/or the Chief Executive Officer to act in such capacity.

### **7. Payments to Working Group members**

- 7.1 Members shall not receive any financial or other benefit for serving as such and will bear the cost of their participation in Working Group meetings.

### **8. Revisions**

- 8.1 Revisions to these Terms of Reference require the approval of the Board.

**Governance Committee Terms of Reference**

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**1. Role**

1.1 The role of the Governance Committee ('the Committee') is to provide oversight on the governance of International Integrated Reporting Council ('the IIRC') and the effective discharge by its directors (collectively 'the Board') of their role and responsibilities in directing the affairs of the IIRC.

**2. Responsibilities**

2.1 The Committee will oversee the ongoing effectiveness of the IIRC's governance arrangements, including consideration as required of:

- i) The overall balance of the Council's composition.
- ii) The Board's interactions with the Council and the Working Group;
- iii) The conduct and independence of individual directors;
- iv) Nominations for the position of Chairman of the Council;
- v) The Chief Executive Officer's remuneration;
- vi) Risk management, accounting practices and audit requirements; and
- vii) Any matter from time to time submitted for its consideration by the Board and/or the Council.

**3. Powers**

3.1 The Board expressly grants the Committee the power to:

- i) Access any documentation and/or engage with any individual, including obtaining independent external professional advice, as required for the effective discharge of its responsibilities; and
- ii) Recommend removal of any director, to the extent that a majority of Committee members consider that his/her continuance in office would be deleterious to the interests of the IIRC.

**4. Membership of the Committee**

4.1 The Committee will comprise between five and seven members (each a 'Committee member') appointed by the Chairman of the Council in agreement with Council members from among their number.

4.2 Appointment as a Committee member shall in principle be for a two-year term, but shall cease forthwith, to the extent any Committee member relinquishes his/her membership of the Council for any reason.

**5. Chairman of the Committee**

5.1 The Committee members will appoint one of their number as Chairman of the Committee ('the Committee Chairman').

5.2 The Committee Chairman will preside over every meeting of the Committee. In the Committee Chairman's absence, those other Committee members

**Governance Committee Terms of Reference**

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participating in a quorate Committee meeting will appoint one from among their number to preside over the meeting.

**6. Committee proceedings**

- 6.1 The Committee shall meet as convened by the Committee Chairman and in principle twice a year, in alignment with meetings of the Council, whereby the Committee members are either physically present, or participate via teleconference. The Committee Chairman shall convene a meeting of the Committee within a reasonable period of time if so requested by the Council, or by any director.
- 6.2 The quorum for any deliberations of the Committee shall be the physical presence or participation via teleconference of at least fifty percent of the Committee members.
- 6.3 The agenda for each Committee meeting will be determined by the Committee Chairman in consultation with the Chairman of the Council and the Board.
- 6.4 Committee members who are unable to attend any Committee meeting may not be represented by an alternate or by proxy.
- 6.5 The Chief Executive Officer will attend each Committee meeting in an *ex officio* capacity. The Chairman of the Council may attend Committee meetings at his/her discretion. Others may attend all or part of any Committee meeting by invitation of the Committee Chairman.
- 6.6 Decisions of the Committee shall in principle be taken on a consensual basis by those Committee members participating in any quorate Committee meeting. To the extent a formal vote is required, a decision shall be validly taken if agreed by a simple majority of those Committee members participating in a quorate Committee meeting, **provided that** the support of at least fifty percent of all Committee members shall be required for a recommendation to remove any director.
- 6.7 The Committee Chairman shall be entitled to vote on any given motion submitted to the Committee for decision and, in the event of an equal number of votes being cast for and against, shall have an additional casting vote.
- 6.8 Valid decisions may be taken by the Committee without need for a meeting, to the extent that they receive the support of at least fifty percent of all Committee members in writing, including by signed fax or by e-mail.
- 6.9 The Committee Chairman shall cause minutes to be taken of all Committee meetings and, subject to his/her prior review, made available to all Council members and directors.

**7. Individual Committee member responsibilities**

- 7.1 Committee members will:
  - i) Endeavour to participate in all Committee meetings and contribute fully, frankly and constructively to its deliberations;
  - ii) Exercise independence of judgment, acting legally and in good faith to promote and protect the public interest, in which the IIRC seeks to act, to the exclusion of their own personal and/or any third party interests; and



## Governance Committee Terms of Reference

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- iii) Use information received in their capacity as a Committee member with due discretion and solely to the ends for which it was provided.

### **8. Reporting**

- 8.1 The Committee Chairman, failing whom another Committee member, shall report at each Council meeting on the Committee's activities, recommendations and any other matters falling within its ambit.

### **9. Payments to Committee members**

- 9.1 Committee members shall not receive any financial or other benefit for serving as such and will bear the cost of their participation in Committee meetings.

### **10. Revisions**

- 10.1 Revisions to these Terms of Reference require the approval of the Board, acting in consultation with the Council.