



Dialogue for longer-term value creation

The International Integrated Reporting Council (IIRC) and the International Corporate Governance Network (ICGN) call for aligned systems of corporate governance and reporting that drive long-term value creation

ICGN and the IIRC are proud to co-host a conference to promote dialogue between participants in the capital markets and to encourage a longer-term focus in generating sustainable business and investment. This is expressed in ICGN's policy theme 'promoting long-term investment priorities and sustainable value creation' and the shift the IIRC is calling for from 'short term capital markets to sustainable capital markets.'

Many investors are increasingly engaged in proactive dialogue with companies to support and influence long-term value creation and reap the benefit of sustainable returns. It is a call that has been answered by over 1,000 companies across the world that are using the International <IR> Framework to produce integrated reports. ICGN's own policy framework recognises the importance of integrated reporting-- and integrated thinking more generally-- as long-term success in today's complex economic, social and environmental landscape is increasingly dependent of factors not directly reflected in financial statements.

The IIRC and ICGN are individually and jointly promoting three means of supporting the goals of richer dialogue and better long-term performance:

- A focus on the long-term with strategy, performance, governance and prospects aligned to value creation over time
- Investors as stewards, taking a proactive interest in all aspects of value creation
- Reporting as a key pillar of 21st century governance, leading to transparency and information disclosures which help investors to understand companies and lead to better investment decisions.

Long-term perspective

Both ICGN and the IIRC support achieving a better understanding by a range of stakeholders of how companies create value in the short medium and long-term and a consideration of the impacts on and needs of other resources used by the company. The International <IR> Framework is a route to facilitate the promotion of long-term investment perspectives. This should lead to sustainable value creation by encouraging organizations to consider the factors and resources which are key to their business model. A business which understands how its business enhances or depletes its resources is better placed to govern itself effectively, and to be a more sustainable business with a longer-term perspective.

We share a belief in the principle of seeking transparency through robust reporting. For investors to monitor and engage with companies effectively, accurate, unbiased and relevant information is a necessity. Both the IIRC and ICGN support a more complete view of broader factors outside pure financial statements and encourage companies to capture these in a concise, but holistic, view. We both support development of better metrics to understand a company's long-term risks and opportunities.



ICGN

International Corporate Governance Network

INTEGRATED REPORTING <IR>

Investor stewardship and corporate governance

Good corporate governance drives better management; grounded in the purpose, values and activities of the business, and better reporting; demonstrating how governance and vision translate to value creation and performance in the business.

We strongly support the development of stewardship codes in a growing number of markets around the world, and the better dialogue this brings about between companies and investors - prompting both to consider further the wide range of resource and relationships that lead to value creation over time. A stewardship code plays a critical role in providing a market-based mechanism for investors to hold companies to account for their corporate governance practices. Stewardship Codes, with clear principles and institutional support within countries, can reinforce corporate governance and lead to a better and deeper flow of information between the board and institutional investors based on business model and strategy.

ICGN's Global Stewardship Principles, launched in 2016, provide a global framework for encouraging such a dialogue. These Principles include guidance on both internal governance for investors and on external stewardship practices between investors and companies. A key component of stewardship is investor monitoring and engagement with regard to a company's corporate governance practices. In this context the boundaries of corporate governance are often fluid and bring new risks and opportunities that require board attention and oversight. Many of these new challenges relate to the interface of business with society, including interactions with customers, employees and other key stakeholders. This is where Integrated Reporting can be very important in assessing governance quality holistically across a range of stakeholders.

Whilst recognizing the important role of the financial, sustainability and other standards and frameworks in the corporate reporting field, ICGN and the IIRC both actively encourage the adoption of Integrated Reporting as an information architecture that helps to underpin investor stewardship and good corporate governance. Investors can use integrated reports to gain better insights into a company and enhance their investment decisions.

Information is the lifeblood of capital markets and that information should capture as complete as possible a picture of the business' strategy, value creation, resources, risks and opportunities. The interaction of this with better stewardship by investors will be better capital allocation, serving the wider public interest goals of financial stability and sustainable development.

For more information visit www.icgn.org or www.integratedreporting.org