

# 2016 PERFORMANCE

We provide additional information on our achievements in 2016 with reference to our six strategic themes.

## 1 INCREASE THE PACE AND SCALE OF INTEGRATED REPORTING ADOPTION

**Benefitted from partnerships and third-party advocacy.** We received high profile endorsement from many global partners in 2016, boosting the appeal of Integrated Reporting and its alignment with key trends. Our <IR> Breakthrough Partners<sup>1</sup> acted on our behalf during the year, as did other valued partners such as CDP, CFA Institute, IFRS Foundation, Sustainability Accounting Standards Board and the World Business Council for Sustainable Development.

We collaborated with partners on events such as an April Deutsche Börse gathering of businesses and investors. In December, we partnered with the International Corporate Governance Network to deliver our [flagship conference](#). Some 400 representatives of the business and investor communities attended the event and the calibre of its programme provided excellent profile for the IIRC.

In Australia, pension funds [VicSuper](#) and [Cbus](#) ran a series of professional development luncheons through the [Fund Executives Association Limited](#) to share their experience as both preparers and advocates of integrated reports.

Jean Rogers, Founder and Chair of SASB, co-authored a [Huffington Post](#) article with our former CEO, Paul Druckman. The piece explained the relationship between our organizations and showed how Integrated Reporting aligns with US reporting regulations.

The release of General Electric's first integrated report in early 2016 garnered strong media interest. Introducing the report, CEO and Chairman Jeff Immelt acknowledged the complexity of public company reporting in [Business Wire](#), noting, "...what matters to investors can get lost. Our priority is to provide meaningful information that all investors can readily access."

**Increased awareness of Integrated Reporting in key markets and sectors.** Participants across all <IR> Networks, including those managed by the IIRC and others, increased from 874 in January 2015 to 1,957 in December 2016. This increase was due primarily to a 58% increase in local networks participation (from 749 to 1,181) and the launch of our Academic Network in 2015 (now 396).

We worked with organizations in 14 countries to convene local <IR> Networks and events. The Brazilian <IR> Commission is our largest regional network with over 500 participants. Networks are convened by Paris-Europlace in France, Da-Strategia in Russia and multiple hosts in Germany. We worked with the Confederation of Indian Industry and Bombay Stock Exchange in India and the <IR> Committees in Turkey and Sri Lanka to influence local markets.

In February, the International Federation of Accountants introduced an Integrated Reporting network for [professional accountancy organizations](#).

We expanded our <IR> Business Network from 65 to 83 organizations, with notable additions such as The World Bank, but fell short of our target of 100. In response, we will add capacity to Network recruitment efforts in 2017.

We delivered a quality programme for <IR> Business Network participants, including an in-person Focus Day in December and five webinars on topical themes. We also ran a Report Critique project with ACCA to provide customized feedback to participants.

We established a China-specific strategy to align with the country's political, regulatory and business context. Our efforts led to China's Ministry of Finance joining our Council and expressing support for Integrated Reporting in the Ministry's recent five-year plan.

A local conference convened by the Malaysian Institute of Accountants saw 30 companies commit to Integrated Reporting.

<sup>1</sup> International Federation of Accountants (IFAC), Association of Chartered Certified Accountants (ACCA), American Institute of Certified Public Accountants (AICPA) and Chartered Institute of Management Accountants (CIMA)

Positive developments like these were offset by slower progress in other markets. We face challenges in North America and Australia, where uptake of Integrated Reporting is limited to an innovating few.

We launched the <IR> Training Programme with eight Foundation Partners. Additional Foundation Partners will be appointed in 2017 allowing the number both of courses and participants to grow.

**Saw increased likelihood of adoption.** In April, KPMG Japan issued a [Survey of Integrated Reports in Japan – 2015](#). The report noted 205 self-declared integrated reports in Japan, up from 142 in 2014. In November, the Nikkei newspaper estimated a rise to 320 integrated reports in 2017. The quality of Japan's integrated reports varies, but the speed of uptake remains impressive.

According to a 2016 survey of over 400 senior business representatives by AICPA, CIMA and Black Sun, the results of which are captured in the publication, [The Value of Value research: Purpose beyond profit](#):

- 66% (2015: 63%) have heard of Integrated Reporting
- 83% (2015: 80%) believe that adopting Integrated Reporting will help deliver success to their organization.

These findings usefully indicate the potential uptake of Integrated Reporting; we will continue to monitor these movements over time.

The Sustainable Development Goals (SDGs) present a further opportunity to increase Framework adoption, as organizations demonstrate their commitment to the goals. The United Nations Conference on Trade and Development – addressed by Council Chairman Mervyn King in July 2016 – views corporate reporting as an important tool to measure performance against the SDGs. The International Federation of Accountants called on the G20 to enhance sustainable growth by embracing Integrated Reporting.

## 2 MAINTAIN THE INTERNATIONAL <IR> FRAMEWORK, UNDERPINNED BY LEADING PRACTICE AND GUIDANCE

**Showcased leading practice.** Our online [<IR> Examples Database](#) remains a valuable tool to illustrate effective application of Integrated Reporting. Building on our database improvements in 2015, we expanded the tool's content in 2016. At the 2016 year-end the database showcased over 390 reports that reference the International <IR> Framework, up 19% versus 2015. We will continue to build the library of critiqued extracts and full integrated reports, including those awarded by third parties.

We also showcased leading practice through our monthly newsletter, regular <IR> Business Network webinars and our <IR> Business Network Focus Day in December.

**Equipped the market with supporting guidance.** The <IR> Training Programme focused on developing skills and competencies among report preparers to foster high-quality integrated reports. Guidance was also provided through our networks via regular webinars and case studies.

Our [Creating Value](#) series continued to be a useful medium for highlighting case studies, examples and market research on Integrated Reporting. We released two such publications in 2016, [The cyclical power of integrated thinking and reporting](#) and [The value of human capital reporting](#).

Guidance also took the form of the following publications:

- [Technology for Integrated Reporting – A CFO guide for driving multi-capital thinking](#)
- [Focusing on Value Creation in the Public Sector](#)
- [Meeting users' information needs: The use and usefulness of Integrated Reporting](#)

## 3 BUILD A BRIDGE FROM CORPORATE REPORTING TO FINANCIAL CAPITAL ALLOCATION

### Witnessed and contributed to awareness of Integrated Reporting among investors.

Our movement saw endorsement from a range of investor organizations, including BlackRock, CFA Institute, CalPERS and Eumedion. A pivotal moment came in February, when [Larry Fink](#), Chairman and CEO of BlackRock called on US and European CEOs to produce an annual statement explaining how their strategy would deliver long-term value. CFA Institute then called on businesses to adopt Integrated Reporting as a means of fulfilling Mr. Fink's vision.

In its 2016 submission to the World Federation of Exchanges, Norgis Investment Bank noted, "Integrated Reporting can help facilitate improvements in the quality and influence of corporate reporting and the functioning of capital markets. The Integrated Reporting framework supports concise and relevant reporting of material factors."

The responsible investment community and pension funds such as VicSuper and Cbus also maintained strong advocacy in 2016.

Through our own work, and that of our network, we contributed to awareness-raising within the investment community. In conjunction with the International Association for Accounting Education & Research and ACCA, we commissioned a study called [Meeting users' information needs: The use and usefulness of Integrated Reporting](#). We also developed an investor-oriented [slide deck](#) with KPMG and collaborated with PwC on a [report](#) about investment decisions based on insight into value creation.

We continue to work with partners and initiatives that promote enhanced governance and long-term investment. The [Coalition for Inclusive Capitalism](#), [Principles for Responsible Investment](#) and [Focusing Capital on the Long-Term](#) all coordinate or engage institutional investors in debate about long-term value creation.

**Benefited from external research on enhanced corporate reporting and its benefits to investors.** We observed a range of useful studies and reports with direct implications for investors:

- Joint research from the Universities of Stanford, Auckland and Pretoria and a study by KPMG and the National University of Singapore linked the practice of Integrated Reporting to improved share price performance and lower cost of capital.
- Research released by Jean-Florent Rerolle (KPMG) and Alexandre Garel (ESCP Europe Business School) explored a stronger focus on long-term drivers of intrinsic value rather than on market sentiment, consistent with the ideology underpinning Integrated Reporting.
- In its publication, Integrated Reporting: Financial Analysts' Perception, the Associazione Italiana degli Analisti e Consulenti Finanziari concluded that Integrated Reporting allows a better understanding of organizations' capacity to create value.
- An Integrated Reporting Survey conducted by the Malaysian Institute of Accountants and ACCA found 62% believe the use of Integrated Reporting will make Malaysian businesses more attractive to investors.

#### 4 PROGRESS THROUGH DIALOGUE: DEVELOP THE CORPORATE REPORTING DIALOGUE

**Facilitated constructive exchange between reporting standard setters and framework developers.** We continued to serve as convenor of the Corporate Reporting Dialogue, a role our stakeholders strongly support. In the first half of 2016, the initiative delivered its second major output, a joint statement aimed at clarifying the similarities and differences between participants' materiality approaches.

In April, a panel of senior Corporate Reporting Dialogue participants came together to present the benefits of collaboration at a Deutsche Börse event. These sentiments were echoed later in the year at our December conference.

Our meetings throughout 2016 informed and united participants on issues of common interest, including the Financial Stability Board's work on climate-related financial disclosures.

Despite these achievements, resource constraints impeded the Corporate Reporting Dialogue from reaching its full potential. We expect greater progress in 2017 after securing the services of an experienced secondee in December.

**External perceptions of the Corporate Reporting Dialogue.** To clarify its purpose and improve its understanding of market needs and interests, the Corporate Reporting Dialogue explored mechanisms for more effective interaction with external stakeholders. In December, participants agreed to a set of concrete actions to increase market engagement in 2017. Such measures, we believe, should improve our understanding of external views.

Participants also revisited the Corporate Reporting Dialogue's Terms of Reference to narrow the gap between the initiative's real and externally-perceived objectives.

#### 5 ENGAGE WITH GLOBAL POLICY MAKERS AND REGULATORS

**Received explicit reference in policy and regulatory initiatives.** In 2016, our vision benefited from several developments:

- Introduction of South Africa's new corporate governance code, King IV, modelled on the International <IR> Framework
- Singapore Stock Exchange's release of reporting guidance, which explicitly referenced the IIRC
- UK Treasury's encouragement of Integrated Reporting adoption by public sector organizations.
- Support by the Chinese Ministry of Finance in its Five Year Plan for Accounting Reform and Development

**Engaged with regulatory bodies and stock exchanges to pursue mutual objectives in the public interest.** In May, we submitted a formal comment letter to the Phase I consultation of the Financial Stability Board's Task Force on Climate-related Financial Disclosures. In June, we met the president and other senior staff of Argentina's Comisión Nacional de Valores to explain the concepts of, and momentum for, Integrated Reporting. This meeting reinforced our broader push for enhanced corporate reporting in key South American markets.

In July, we attended a meeting of the US Securities and Exchange Commission's Investor Advisory Committee to explain our multi-capitals approach and draw clear parallels between Integrated Reporting and the Management's Discussion and Analysis. We followed this appearance with a formal response letter to the SEC Concept Release on Business and Financial Disclosure Required by Regulation S-K. These efforts supported our strategy of demonstrating and reinforcing alignment with existing reporting.

We monitored the EU Non-Financial Reporting Directive, responded to its related guidance and participated in stakeholder roundtables and one-to-one interviews with the European Commission. These activities were in addition to regular meetings with the European Commission and key stakeholders in Brussels. Release of the guidance was delayed from December 2016 to mid-2017.

Finally, we participated throughout the Chinese presidency of the B20 to ensure a solid understanding of the role of corporate reporting in meeting key B20 challenges.

**Saw positive momentum for our corporate governance and stewardship focus.**

King IV Code, as noted earlier, embedded the principle of Integrated Reporting into South African corporate governance and created the first outcomes-based governance system in the world. The foreword to King IV highlighted the connection between the Code's foundational concepts and our [Three Shifts Philosophy](#). Following this lead, Integrated Reporting is now referenced in corporate governance codes in Malaysia and the Philippines.

Another major breakthrough came when the International Corporate Governance Network (ICGN) recommended the adoption of Integrated Reporting in its [Global Stewardship Code](#). ICGN's support for Integrated Reporting was also evident from a [joint statement](#) with our organization, released to coincide with our flagship conference in December. The statement called for aligned systems of corporate governance and reporting to drive long term value creation. It also suggested practical ways to encourage longer-term thinking and behaviours by capital market participants.

**6 DEVELOP A LONG-TERM VIABLE ORGANIZATION****Managed our financial, manufactured, human, and social and relationship capital to deliver planned activities and initiatives.**

Against a break-even budget for 2016, we ended with a deficit of £98k (2015: £99k) and reduction in cash reserves to £745k (2015: £894k). The deficit remains fully manageable given the size of our reserves. We increased our income by 7% to £1,510k and kept careful control over expenditures, particularly our travel costs, throughout the year.

In 2016, the majority of our funding, £724k, came from voluntary contributions from Council member organizations (2015: £644k). The year-over-year increase was due primarily to early receipt of certain 2017 contributions.

We received £599k in network participant contributions, down from £669k in 2015 due to changes in the funding model of our Public Sector Pioneer Network and overall structure of <IR> Networks. Structural changes led to adjustments in the phasing of our annual cycle, including invoicing renewals.

Income of £160k was generated through our new <IR> Training programme and December 2016 conference, co-hosted with the International Corporate Governance Network.

 [SEE OUR FULL 2016 FINANCIAL STATEMENTS HERE.](#)

We continued to benefit from in-kind support in the form of office space and pro bono seconded staff (7.78 full-time equivalents in 2016 compared to 9.51 in 2015). Our staff team totalled 29 on average (2015: 28), or 21 full-time equivalents (2015: 23), allowing us to run our operations smoothly and perform core activities.

**Refined our structures and procedures to support our work.** We codified procedures to support the development of IIRC pronouncements and completed the important task of establishing an <IR> Framework Panel, a formal IIRC governance body. The Panel provides recommendations to the Board regarding any revision, modification or other update to the International <IR> Framework. The Panel also provides input on other guidance material as requested.

**Launched our inaugural integrated report.** We released our 2015 Integrated Report during Q3. The exercise of preparing and presenting our information prompted us to rethink and refine certain internal procedures and communications. We improved, and will continue to evolve, our cross-functional planning and development of clear strategic objectives, work plans and supporting indicators. We hope some of these improvements are evident in our 2016 Integrated Report.