Contents

02 Who we are

03 Strategy
  03 Vision
  03 Mission
  03 Strategic phases and themes

04 Breaking through
  04 From our leadership
  06 Breakthrough moments
  08 <IR> Framework implementation review

10 How we create value

12 Leadership
  12 Governance
  14 The IIRC Council
  16 Board of Directors

18 External environment

20 Stakeholders
  20 Our stakeholders
  20 Delivering on stakeholder expectations

24 Materiality
  24 Material matters
  24 Our response to material matters

27 Performance
  27 Increasing the pace and scale of integrated reporting adoption
  29 Maintaining the <IR> Framework, underpinned by leading practice and guidance
  30 Building a bridge from corporate reporting to financial capital allocation
  32 Progress through dialogue: developing the Corporate Reporting Dialogue
  33 Engaging with global policymakers and regulators
  35 Developing a long-term, viable organization

39 Acronyms
Responsibility for the Report

As the Board of the International Integrated Reporting Council (a company limited by guarantee), we acknowledge our responsibility for ensuring the integrity of our Integrated Report 2017. 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 2017 to ensure application of the requirements summarized on pages 34-35 of the IR Framework requirements Paragraph 1.17.

Barry Melancon
Chair of the Board
16 August 2018

Reporting channels

Our annual report is in two parts. What you are reading is the first part, ‘IIRC Integrated Report 2017’. The other is ‘IIRC Financial Statements 2017’. Both were released simultaneously.

To balance the twin goals of conciseness and completeness we have used multiple mediums and formats to effectively meet the diverse interests of our several stakeholder groups:

The concise print version of the IIRC Integrated Report 2017 is identical to its PDF counterpart. The latter, along with the IIRC Financial Statements 2017 in PDF comprise our statutory annual report.

The interactive online HTML version of the annual report provides additional supplementary information and features including those for ease of finding, recording, extracting and sharing information.

In addition, we have released an executive summary of the IIRC Integrated Report 2017 for mobile devices for those who want a quick read while on the go.

Report boundary

The reporting entity is the IIRC. The section on Governance (pages 12-13) gives details of its structure. The Integrated Reporting Foundation, an affiliated but independent entity, is also discussed there.

Queries

We welcome your comments or questions on this report via email: info@theiirc.org
Businesses and investors globally now recognize a broader approach to creating value.

When incentives only reward short-term behaviour, our capital markets are weaker, society is poorer and our environment suffers.

Integrated reporting is a broad-based framework for business and investment decisions that are long-term, inclusive and with purpose.

The International Integrated Reporting Council (IIRC) is a worldwide coalition with the mission to mainstream integrated thinking and reporting and to change the corporate reporting system so that integrated reporting becomes the global norm. We are the global authority on integrated reporting and steward of the International Integrated Reporting Framework.

Organizations are using integrated reporting to communicate a clear, concise, integrated story that explains how all of their resources are creating value.

Integrated reporting is helping businesses to think holistically about their strategy and plans, make informed decisions and manage key risks to build investor and stakeholder confidence, value creation and improve future performance.

It is shaped by a diverse coalition including business leaders and investors to drive a global evolution in corporate reporting.

Regulators, investors, companies, standard setters, the accounting profession and NGOs are all part of the IIRC Council, working to align capital allocation and corporate behaviour to the wider goals of financial stability and sustainable development through the cycle of integrated thinking and reporting.

Members of the Council include BlackRock, Tata Sons, The World Bank, World Economic Forum, Ministry of Finance China, global CEOs of major accounting firms, professional accountancy bodies from around the world and all major standard setters and framework developers in the corporate reporting field.

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 indirectly reinforce all 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.

See page 28 for specific work we have done around the SDGs in 2017.
We pursue our vision and mission through a multi-phased strategy. We are currently in the third phase, our Breakthrough Phase, which focuses on six strategic themes or objectives. The next global strategic phase will be announced in 2018-19.

**Vision**
Align capital allocation and corporate behaviour with the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.

**Mission**
Establish integrated reporting and thinking within mainstream business practice as the norm in the public and private sectors.

### Strategy

We pursue our vision and mission through a multi-phased strategy. We are currently in the third phase, our Breakthrough Phase, which focuses on six strategic themes or objectives. The next global strategic phase will be announced in 2018-19.

#### FEASIBILITY
**Jul 2010 – Dec 2011**
- Determine the conceptual viability of and market support for integrated reporting

#### CREATION
**Jan 2012 – Sep 2014**
- Develop the <IR> Framework, build global awareness and encourage experimentation

#### BREAKTHROUGH
**Oct 2014**
- Achieve a meaningful shift towards early adoption of the <IR> Framework

1. **Increase the pace and scale of integrated reporting adoption**
   (pages 27-29)

2. **Maintain the <IR> Framework, underpinned by leading practice and guidance**
   (pages 29-30)

3. **Build a bridge from corporate reporting to financial capital allocation**
   (pages 30-31)

4. **Progress through dialogue: develop the Corporate Reporting Dialogue**
   (page 32)

5. **Engage with global policymakers and regulators**
   (pages 33-34)

6. **Develop a long-term, viable organization**
   (pages 35-37)
From our leadership

In a polarized world, the IIRC is a convener, a coalition builder and a driver of integration rather than separation. Integrated reporting helps us piece together the elements of a fractured world in a way that business, investors and governments understand – unifying the financial system so that it contributes to resolving the systemic challenges of our age.

Integrated reporting has been endorsed by the global organization for the accountancy profession, IFAC, as an “umbrella” under which other reporting methodologies can be brought together to achieve a holistic understanding of how companies create value for their range of stakeholders. It is this collaborative, multi-capital approach to value creation which makes the <IR> Framework unique and a game-changer.

This endorsement is one of a number of breakthroughs we have achieved since the release of the <IR> Framework in December 2013. As we neared the conclusion of our Breakthrough Phase we took time to evaluate our strategic progress, the <IR> Framework and also the effectiveness of our Board.

Evaluation of the Breakthrough Phase

After the release of the <IR> Framework the IIRC embarked on the Breakthrough Phase of its strategy, with the aim of bringing about a meaningful shift in the early adoption of the <IR> Framework. As we came towards the end of the Breakthrough Phase, the Board and the Council undertook an evaluation of our progress. The global picture that emerged illustrated a complex pattern of adoption and endorsement, with different markets moving at different speeds and for different reasons with differing levels of ‘quality’ and ‘quantity’ of integrated reporting.
We have had some signature successes on market penetration, but also some areas where we are still at the early stages of creating awareness and building support for adoption. In markets such as South Africa and Japan integrated reporting is already mainstream, while in other major capital markets including USA and China we are still at the awareness creation phase.

While we have achieved breakthroughs with some investor organizations (e.g. ICGN and CFA Institute) the integrated reporting message has not yet hit home with the majority of investor bodies globally. The message from the International Federation of Accountants (IFAC) that integrated reporting is ‘the future of corporate reporting’ is a major breakthrough in our global mission, but it is an idea that is still gaining traction.

While progress with individual stock exchanges and regulators (e.g. in the UK, Malaysia, India and Brazil) has been impressive, there is still further work to do to gain majority acceptance that integrated reporting will be the reporting norm of the future.

**An assessment**

A binary assessment of whether we have or have not achieved ‘breakthrough’ is therefore not possible. However, it was clear that, during this period, significant breakthroughs have been achieved –

- Integrated reporting adoption in 64 markets, including every G20 economy
- Integrated reporting embedded in international accountancy curricula guaranteeing a pipeline of new finance professionals ready to implement integrated reporting
- Corporate governance codes starting to refer explicitly to integrated reporting and International Organization of Securities Commissions (IOSCO) Principle 16 beginning to be used to advocate for integrated reporting adoption
- Increasing support from pension funds and growing interest in integration of ESG factors within mainstream investment
- The <IR> Framework accepted as a permanent feature of corporate reporting and endorsed by internationally respected bodies.

These achievements are a sample of the 29 breakthroughs identified as part of our comprehensive review of this strategic phase, and summarized under ‘Breakthrough moments’ (pages 6-7), which together serve as a springboard for our long-term ambition of global adoption.

**<IR> Framework implementation review**

In March 2017 we launched a formal global consultation to hear from market participants and learn from their experience with integrated reporting (pages 8-9). From the extensive feedback gathered it was clear that the <IR> Framework stands up well to the challenges of implementation, and that a revision in the near future is not required. However, the exercise did clarify areas where further guidance and research are needed to aim implementation – for which we have developed a comprehensive technical work programme.

**Board effectiveness**

Our governance remains fundamental to how we create value. Having reviewed our governance structure in previous years, we looked at governance effectiveness in 2017, specifically our Board of Directors. Drawing feedback from current and past Directors, Council, Governance and Nominations (GAN) Committee, the management team and auditors, the overall view was of a well-functioning Board, with the report making recommendations for specific incremental changes to improve the Board's effectiveness further.

**Outlook**

Taking into account these reviews, as well as of our stakeholder expectations (pages 20-23) and global trends (pages 18-19), the IIRC Board has adjusted its strategic thinking, appreciating that there is another phase to go through before ‘Global Adoption’. Planning has started to move to a point where we hope to be able to announce a new global strategic phase for integrated reporting during 2018–19.

**Acknowledgements**

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

Here we illustrate a sample of the breakthroughs we have achieved towards early adoption of the <IR> Framework since its publication in December 2013.

Policy

Regulatory signposting or alignment in 16 countries in addition to voluntary adoption

Endorsements

Accountancy bodies:
International Accounting Standards Board (IASB) and International Federation of Accountants (IFAC)

Supranational organizations:
Including the European Commission, World Bank, United Nations Conference on Trade and Development (UNCTAD), Principles for Responsible Investment (PRI) and the Organisation for Economic Co-operation and Development (OECD)

B20:
IIRC part of B20 agenda of the G20 since 2014
**Adoption**

- **1,600 organizations across 64 countries**
  - Including every G20 economy

- **Global networks**
  - With 2,000 participants including 500 in Brazil

- **Mainstream in South Africa and Japan**

- **Academic evidence**
  - Shows that integrated reporting improves conditions for long-term investment, reduces cost of capital, improves performance and improves liquidity

**Guidance**

- **First implementation review shows continued market support for the <IR> Framework in its current form**
- **Included in curricula of leading international accountancy bodies**
- **<IR> Training Programme established with courses in 16 countries**

**Investors**

- **12 mainstream investor organizations sign public letter of support for integrated reporting**
- Partnership with CFA Institute and ICGN

**Corporate Reporting Dialogue**

- **Landscape Map creates a more cohesive picture of the corporate reporting environment**
- Joint submission to the FSB Task Force on Climate-related Financial Disclosures
<IR> Framework implementation review

Process

The formal consultation attracted:

- Over 400 contributions
- Feedback from events in 19 countries
- A wide cross section of stakeholders

Feedback by region

- Americas: 10%
- Europe: 38%
- Asia: 21%
- Africa: 9%
- Oceania: 10%
- International: 12%

Feedback by stakeholder group

- Consultant or assurance provider: 29%
- Report preparers: 24%
- Professional body or industry group: 17%
- Regulator, stock exchange or standard setter: 10%
- Report user: 8%
- Academia: 6%
- NGO: 4%
- Others: 2%
Following the release of the <IR> Framework in December 2013 we launched a formal consultation in March 2017 to hear from market participants and learn from their experience with integrated reporting. The final report on the feedback received was presented at the October 2017 Integrated Reporting Convention in Amsterdam.

### Findings

**The concepts of integrated reporting widely accepted and embraced**

**Focus to now include improving implementation of integrated reporting**

**Key areas identified for practical guidance:**

- Multiple capitals approach
- Connectivity of information
- Integrated thinking

**Senior management buy-in seen as vital for successful adoption**

### Next steps

**48 action points identified across 26 topics for implementation**

**Implement a two-year programme of guidance and other technical assistance to further clarify, simplify and amplify the adoption of integrated reporting**

**The programme to include:**

- Supporting project proposals for guidance and research
- Providing guidance in the form of practice notes, practice aids and frequently asked questions
- Engaging with the Corporate Reporting Dialogue and others

**Consider revising the <IR> Framework after 2019 based on the small number of suggestions received and further implementation experience gained**
Our business model is a system for transforming inputs through business activities into outputs and outcomes that aim to fulfil our strategic purpose of creating value.

**Inputs**
- **Funding**: Cash reserves, contributions, income and in-kind support
- **People**: IIRC team, Board, Council, Ambassadors and Advocates
- **Relationships**: Networks, strategic partnerships and collaborations
- **Intellectual capital**: <IR> Framework, guidance, research and IIRC expertise

**Activities**
- **Guide**: Explain integrated reporting and show leading practice
- **Connect**: Link to needs of capital markets and society
- **Convene**: Gather those critical to corporate reporting and investing

**Outputs**
- Business case for integrated reporting
- Tools, case studies, guidance and training
- Policy initiatives to support systemic change
- Partnerships to drive success
How we create value

**Funding**
Funds converted to operations, reserves and intellectual capital

**People**
Capacity building across the IIRC and our networks

**Relationships**
Supportive networks and advocacy to drive our vision

**Intellectual capital**
Expanded body of research and guidance

**Nature**
Planetary limits elevated in capital market decisions

---

**OUTCOMES**

**VALUE CREATED**

**FOR US**
- Continued delivery of our vision
- Committed and knowledgeable team
- Amplification of efforts through partnerships
- Anchor for future work and funding
- Promotion of a core element of our vision

**FOR OTHERS**
- Promotion of aligned missions and mandates
- Enhanced capabilities among our supporters
- Mobilization of common interests
- Understanding of integrated reporting and its benefits
- Enhanced stewardship of natural resources

---

**OUTLOOK**
page 5

Align capital allocation and corporate behaviour with the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking.
**Governance**

Our governance, as codified in our Constitution, is founded on our market-led strategy, as well as our reliance on effective partnerships to fulfil our mission. It strikes an important balance between the legal authority and responsibilities of our Board and the significant weight and influence of our Council.

**Structure**

All activities of the IIRC are coordinated and conducted through the Operating Company of the same name, a non-profit company limited by guarantee, incorporated and based in the UK, subject to oversight by the Board of Directors.

All Directors of the Board, aside from the CEO, participate on an individual, non-remunerated and non-executive basis. There were five Board meetings in 2017 (two of which were physical), in which they engaged with and gave direction to the CEO and the IIRC team on strategic matters. 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.

Specifically in 2017, the Board oversaw an evaluation of the Breakthrough Phase and the development of our future strategic direction, guided development of our ‘elevator pitch’, approved the International <IR> Framework Implementation Feedback Summary Report and our fundraising strategy, and agreed a very senior appointment from the world of business to replace our outgoing Council Chair (to be announced in October 2018). The Board also provided direction on the positioning of integrated reporting within the corporate reporting system, how we drive a multi-capital approach, our approach to the SDGs and management of our key institutional relationships.

The Council comprises Board or senior executive level designates from coalition parties, expressing the coalition’s broad market view and collective voice – their breadth of views, depth of experience and commitment to integrated reporting continue to be instrumental to our strategy implementation. Council members, appointed by the Board, are the primary (though not exclusive) source of advice, guidance, expertise, experience, resources and support required for achievement of the IIRC’s purpose.

We convened two Council meetings in 2017, in New York in April and in Amsterdam in October, where we provided updates on our progress and key developments, and discussed issues including how to advocate for integrated reporting, drivers of long-term value creation, assurance, review of the Breakthrough Phase and the Sustainable Development Goals. It was at our New York Council meeting that Hans Hoogervorst, Chair of the IASB, said that through integrated reporting, organizations can “address more clearly resources that are not included in financial statements.”

The Governance and Nominations (GAN) Committee comprises the members of the Operating Company, appointed by the Council. They met twice (by teleconference) in 2017, appointing and removing Board members (see changes to the Board on page 16), appointing Jane Diplock to succeed Sir Mark Moody-Stuart as new GAN Committee Chair, monitoring
the IIRC’s own integrated reporting and in particular its financial and risk management.

The IIRC Framework Panel is appointed by the Board and recommends to them revisions to the IIRC Framework. In 2017 they met seven times, once physically, with their main focus on guiding the IIRC Framework implementation review (pages 8-9).

The IIRC team (page 36) of dedicated management and staff, spread worldwide and led by the CEO, supports and coordinates the IIRC’s activities, and is responsible to the Board. These activities and interactions are guided by our brand values: be market-led, communicate with clarity, facilitate change and promote cohesion.

The IIRC team’s internal culture is defined by four organizational values, which define how we do what we do and ensure we work cohesively and collaboratively: respect, attitude, professionalism and truth.

The Remuneration Committee reviews executive performance and remuneration, and comprises the Board Chair and Vice Chairs.

Advisory groups and task forces are established by the IIRC team as required. None were in existence in 2017.

The Integrated Reporting Foundation (a company limited by guarantee) is a registered UK charity, with the Operating Company being the sole member. It is controlled by its own independent Board of Trustees, with administrative support provided by the Operating Company. As an independent entity it reports separately to the IIRC. In 2017 the IIRC received a grant of GBP 200,000 from the Foundation.

Board evaluation exercise

In accordance with our Constitution, an inaugural IIRC Board evaluation exercise was undertaken in 2017, led by Charles Tilley, IIRC Council member and Senior Advisor to the IIRC Board Chair and CEO. This drew on feedback from twenty participants: current Directors, IIRC Council Chair, GAN Committee Chair, current and former members of the IIRC management team, and the IIRC’s auditors.

There was consensus that what has been achieved by the IIRC since its inception, particularly given its size, has been extraordinary, and there was agreement that the IIRC has a functioning Board. There was also a common view that the Chairman of the Board is skilled and contributes well to the success of the meetings.

It made specific recommendations on the basis of improving the Board’s effectiveness further. The most significant issue identified was the need for increased strategic focus, continuing to develop the business case for integrated reporting, and the identification of the principal outcome measures to enable the Board to monitor whether the strategy is being implemented successfully.

How our governance supports our ability to create value

Our unique governance structure is fundamental to our business model (pages 10-11), providing funding, advocacy, reach, guidance and other resources. It also ingrains stakeholder engagement into how we work (pages 20-23).

Authority and credibility

• Our Council is unique in terms of its reach and comprehensive coverage – at a very senior level – across all parts in the corporate reporting system across the world, with global, institutional and regional impact and influence. It provides the IIRC with its crucial voice as an umbrella for corporate reporting, with a mandate for global progress in reporting and a more cohesive system.

• Robust governance structures and processes build our credibility, institutional integrity and lines of accountability. These attributes enhance market acceptance of our outputs and allow entrance to global policy discussions.

• The quality and diversity of our Board also enrich our strategic decisions.

Advocacy and reach

• The relationship capital provided by our global Council enables us to make connections far beyond what we could otherwise achieve, for example to supranational organizations, and national regulators and policymakers.

• Advocacy by governance body members bolsters our messaging in priority markets.

• Council members fortify our relationships with key market influencers.

Market engagement

• Council is our initial barometer for public sentiment and market demand for guidance.

• Investors on governance bodies inform our engagement with providers of financial capital.

• Experience and diversity of Council members ensure we understand and appropriately connect to regional and global developments.

Funding

• Council members provide resources in the form of voluntary contributions, grants, staff secondments and project management capacity.
The IIRC Council

Changes to the Council in 2017:
The two Deputy Chairs of the Council were appointed — Peter Bakker and John Stanhope.

The Institute of Chartered Accountants of India joined and Caixa de Previdência dos Funcionários do Banco do Brasil (PREVI) left the Council.

The profiles of Council members may be accessed here.

Changes to the Council in 2018 (to date):
The Africa Integrated Reporting Committee and the Institute of Chartered Secretaries and Administrators have joined the Council.

Council members as at 31 December 2017

Academia

FIPECAFI
Wellington Rocha
President and CEO

Said Business School at the
University of Oxford
Prof Robert Eccles
Visiting Professor of Management Practice

French Interest
Jean-Charles de Lasteyrie
Vice President, Federation of European Accountants

Global Accounting Alliance (GAA)
Stephen Harrison
Chief Executive Officer

Grant Thornton International
Edward Nusbaum
Global Chief Executive Officer

Institute of Chartered Accountants in England and Wales (ICAEW)
Michael Izza
Chief Executive

Institute of Internal Auditors (IIA)
Richard Chambers
President and CEO

Institute of Management
Accountants (IMA)
Jeffrey Thomson
President and CEO

International Federation of Accountants (IFAC)
Rachel Grimes
President

Japanese Institute of Certified Public Accountants (JICPA)
Aiko Sekine, CPA
Chairman and President

KPMG
Bill O’Mara
Global Head of Audit

PwC International
Robert E. Moritz
Global Chairman

South African Institute of Chartered Accountants (SAICA)
Terence Nombembe
Chief Executive Officer

The Institute of Chartered Accountants of India
Naveen Gupta
President

Accountancy profession

American Institute of CPAs
Timothy Christen
Chairman

Association of Chartered Certified Accountants (ACCA)
Alan Hatfield
Executive Director, Strategy and Development

BDO International
Keith Farlinger
Chief Executive Officer

Chartered Accountants Australia and New Zealand
Simon Grant
Group Executive Advocacy and Professional Standing and International

CPA Australia
[Representative TBC]

Chartered Institute of Management Accountants (CIMA)
Charles Tilley
Executive Chairman, CGMA Research Foundation

CPA Canada
Joy Thomas
President and CEO

Deloitte
David Cruickshank
Global Chairman

Ernst & Young
Mark Weinberger
Chairman and CEO

30%
Accountancy profession

Communities represented by Council members

Providers of financial capital
17%

Policymakers, regulators, exchanges
8%

Framework developers, standard setters
7%

Civil society
9%

Business and other reporter entities
26%

3%
Academia

8%
Profession

26%
Providers of financial capital

7%
Policymakers, regulators, exchanges

9%
Civil society

30%
Accountancy profession

26%
Business and other reporter entities
Board of Directors
as at 31 December 2017

Helen Brand OBE
Deputy Chair of the Board
Chief Executive, ACCA

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

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

Aron Cramer
President and CEO, BSR

Louise Davidson
CEO, Australian Council of Superannuation Investors

Richard Howitt
Chief Executive Officer

Other positions held by Board members are indicated above while their profiles are available online.

Mervyn King (Chairman of the Council) attends Board meetings as an observer; Charles Tilley (Senior Adviser to the Chairman and CEO) attends Board meetings as a guest.

Appointed in 2017:
Michael Bray, Aron Cramer, Jeanne Ng and Christian Thimann

Stood down in 2017:
Peter Bakker (now Deputy Chair of the Council), Jane Diplock (now Chair of the GAN Committee), Timothy Flynn and Reuel Khoza

Stood down in 2018 (to date):
Christian Thimann
Barry Melancon  
Chair of the Board  
CEO, Association of International Certified Professional Accountants

Jeanne Ng  
Director – Group Sustainability.  
CLP Group

Experience of Board members

<table>
<thead>
<tr>
<th>No. of Directors*</th>
<th>Business and other reporter entities</th>
<th>Providers of financial capital</th>
<th>Framework developers, standard setters</th>
<th>Accountancy profession</th>
<th>Policymakers, regulators, exchanges</th>
<th>Civil society</th>
<th>Academia</th>
</tr>
</thead>
<tbody>
<tr>
<td>7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>6</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>5</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Some Directors represent more than one community; the Board comprised 12 Directors as at 31 December 2017.
Our strategy remains focused on anticipating future global trends and being able to respond to them, to ensure that integrated reporting continues to remain relevant to the issues and market needs of today and tomorrow.
<table>
<thead>
<tr>
<th>Globalization and interconnectedness</th>
<th>How integrated reporting aligns</th>
</tr>
</thead>
<tbody>
<tr>
<td>The International Monetary Fund, World Economic Forum and other bodies highlight that risks can no longer be isolated and managed according to geography or type.</td>
<td>Integrated reporting encourages systems thinking, the basis for effective risk management in a globalized environment.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Inclusive capitalism</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Growing inequality risks harming development and growth potential and demands greater focus on social and environmental value. This has driven a movement towards 'inclusive capitalism'.</td>
<td>Integrated reporting underscores the importance of a holistic approach to understanding, measuring, managing and expressing value creation, including the broader dimensions of human, economic and social progress seen through a multi-capital lens.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Stewardship and governance</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Increased shareholder interest in corporate governance drives improved communication between businesses and their investors. Stewardship codes reflect investors’ role as custodians of long-term and other assets.</td>
<td>Integrated reporting is strongly aligned with enhanced corporate governance and improved decision-making among capital market participants. It is already mainstream in South Africa and Japan with growing country level alignment globally.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sustainable development</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The United Nations Sustainable Development Goals, European Union Non-financial Reporting Directive, Paris Agreement on climate change and the 2016 FSB Task Force work reinforce the status of sustainable development as a public and private sector imperative.</td>
<td>Integrated reporting encourages stewardship of a broader resource base, which includes human and natural resources. While translating global commitments into a shift towards productive and sustainable investments remains a challenge, integrated reporting serves a role by bringing investors and businesses to the table.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Technological change</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>New technologies can affect, for better or worse, an organization’s operations, innovation and valuation. Artificial intelligence and robotics are already impacting the future of work and threatening jobs. The contributions of intellectual property and an innovative culture are increasingly driving organizational success, while the proliferation of data drives the desire for consistent and comparable metrics.</td>
<td>Integrated reporting helps organizations discuss the material impacts of technology on value creation and stakeholders, either in stimulating progress or in mitigating risks. Whether in the hands of business or the stakeholder, technology is a powerful tool to drive better quality corporate reporting.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>The corporate reporting system</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>The different elements of the corporate reporting system are not in harmony – such as conflicting objectives, disjointed definitions and unclear objectives. PRI, UNEP FI and the EU High Level Expert Group on Sustainable Finance are examples of bodies working to align the financial system to sustainable development.</td>
<td>There is a renewed urgency to bring coherence to the reporting landscape brought about by market demand, while advances in technology are also making an impact. This is an opportunity to embed integrated reporting within these developments, particularly through the Corporate Reporting Dialogue.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Long-termism</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Institutional investors are increasingly vocal about the dangers of a short-term focus. To support the large investments in infrastructure, particularly in emerging economies, a longer-term view of value is needed to shift business practices, resource allocation and capital market behaviour.</td>
<td>Investors have voiced the need for reform in corporate reporting. Integrated reporting aligns with FCLTGlobal’s ‘10 elements of a long-term strategy’ by supporting and managing this transformation by providing investors with long-term information on risks and opportunities and creating the foundations for sustainable investment.</td>
</tr>
</tbody>
</table>
Our stakeholders

Stakeholder engagement is ingrained in our governance and strategy. All our stakeholder groups are represented on the IIRC Council and the IIRC Board who we convene regularly.

Delivering on stakeholder expectations

<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder interest/IIRC response</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>BUSINESS AND OTHER REPORTER ENTITIES</strong></td>
<td>Navigate the range of available reporting standards and frameworks&lt;br&gt;We convene the Corporate Reporting Dialogue, which explains how reporting standards and frameworks relate and seeks to align where possible. Our &lt;IR&gt; Networks and &lt;IR&gt; Training Programme help businesses understand and implement integrated reporting.</td>
</tr>
<tr>
<td><strong>Satisfy regulatory and voluntary requirements in a cost effective way</strong></td>
<td>We encourage businesses to apply the &lt;IR&gt; Framework in ways that suit their unique circumstances.</td>
</tr>
<tr>
<td><strong>Understand the IIRC's expectations with respect to &lt;IR&gt; Framework application</strong></td>
<td>We provide guidance in areas that are most challenging to report preparers.</td>
</tr>
<tr>
<td><strong>PROVIDERS OF FINANCIAL CAPITAL</strong></td>
<td>Reduce portfolio risk&lt;br&gt;The &lt;IR&gt; Framework encourages companies to follow a holistic, multi-capital approach to risk disclosure.</td>
</tr>
<tr>
<td></td>
<td><strong>Analyze standardized performance metrics across portfolio companies</strong>&lt;br&gt;We encourage companies to report consistently over time and in accordance with generally accepted standards.</td>
</tr>
<tr>
<td></td>
<td><strong>Understand governance and prospects of portfolio of investments</strong>&lt;br&gt;We encourage companies to explain how governance structures support value creation over time.</td>
</tr>
</tbody>
</table>
We also engage with stakeholders through our annual conference and bilateral meetings. Other engagement mechanisms specific to particular stakeholder groups are indicated in the table below:

<table>
<thead>
<tr>
<th>Examples of how we engage</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• &lt;IR&gt; Network and regional networks</td>
<td>We invited business and other perspectives on the implementation of the &lt;IR&gt; Framework review (pages 8-9) and have drawn up a technical work programme to address the identified market needs for guidance, research and other resources. See page 32 for our progress on the Corporate Reporting Dialogue.</td>
</tr>
<tr>
<td>• The &lt;IR&gt; Framework implementation review</td>
<td></td>
</tr>
<tr>
<td>• Corporate Leadership Group on Integrated Reporting</td>
<td></td>
</tr>
</tbody>
</table>

<p>| • Partnerships with International Corporate Governance Network (ICGN) and CFA Institute | We align with investor initiatives that promote stewardship, corporate governance and long-term thinking (page 31). Although our governance structure includes investors, we seek further interaction with this community. |
| • Investor panel of &lt;IR&gt; Network (report critiques) | |
| • The &lt;IR&gt; Framework implementation review | |
| • Investor statement and research | |</p>
<table>
<thead>
<tr>
<th>Stakeholder</th>
<th>Stakeholder interest/IIRC response</th>
</tr>
</thead>
</table>
| **FRAMEWORK DEVELOPERS AND STANDARD SETTERS**<br>...shape the nature and direction of the corporate reporting landscape | **Fill gaps in corporate reporting standards**<br>We work with the Corporate Reporting Dialogue to identify subject matter gaps.  
**Minimize the perception of a reporting patchwork**<br>We highlight complementarity and pursue clarity and consistency through the Corporate Reporting Dialogue.  
**Ensure respective standards and frameworks are well understood and applied**<br>The <IR> Framework communicates the need to consult other standards and frameworks when preparing report content. |
| **ACCOUNTANCY PROFESSION**<br>...promotes integrated reporting and builds related professional competencies | **Advance member interests and the profession through leadership and advocacy**<br>We work with the profession on areas of mutual interest and support its leadership role in integrated reporting.  
**Build capacity within accounting bodies, accounting firms and accountants in business**<br>We extend capacity building via Council arrangements, secondment agreements and joint initiatives.  
**Provide client and member services that drive organizational, client and public interest**<br>We equip secondees with skills and knowledge in integrated reporting to enhance and expand firms’ services. |
| **POLICYMAKERS, REGULATORS AND EXCHANGES**<br>...support <IR> Framework uptake via laws and norms | **Work in various areas in the public interest**<br>We show how integrated reporting supports capital market efficiency, inclusive capitalism, infrastructure investment, sustainable development and effective corporate governance and stewardship. |
| **CIVIL SOCIETY**<br>...champions important pillars of our vision and strategy | **Raise the profile of important societal issues**<br>We identify movements that complement our vision and to which integrated reporting can contribute.  
**Demonstrate momentum for a particular interest or action**<br>We develop alliances and partnerships based on aligned objectives.  
**Maintain or elevate an established footing in a chosen field**<br>We follow a model that favours co-branding and complementarity over replication. |
| **ACADEMIA**<br>...studies links between reporting, performance and access to capital | **Probe and refine the theoretical basis for enhanced reporting**<br>We maintain open channels with academia, identify research opportunities and maintain a searchable integrated reporting <IR> Examples Database to assist research efforts.  
**Explore new subject matter and perspectives**<br>We provide a peer-based forum via our <IR> Academic Network to inform and inspire new research. |
| **OUR TEAM**<br>...drives performance and shares regional perspectives | **Understand and align with organizational goals and provide valued contributions**<br>We explain how our strategies support our mission and vision. We also highlight individual and collective achievements and provide employee feedback annually.  
**Access the tools to do a good job**<br>We maintain guiding procedures and offer training/development opportunities.  
**Contribute to a collaborative, communicative team**<br>We interact via cross-functional meetings and online platforms. |
<table>
<thead>
<tr>
<th>Examples of how we engage</th>
<th>Evaluation</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Corporate Reporting Dialogue</td>
<td>IASB's new thinking on the concept of materiality is partly based on our joint work in the Corporate Reporting Dialogue, and they are updating their Management Commentary Practice Statement in light of developments in integrated reporting. See page 32 for our progress on the Corporate Reporting Dialogue.</td>
</tr>
<tr>
<td>• IASB's Management Commentary Review Committee.</td>
<td></td>
</tr>
<tr>
<td>• Bilateral projects and partnerships.</td>
<td>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. See network partners on pages 27-28 and funding on pages 35 and 37.</td>
</tr>
<tr>
<td>• B20</td>
<td>We learn and benefit much from these stakeholders. Their referencing of integrated reporting in national codes, recommendations and requirements supports our vision. See pages 33-34 for more information.</td>
</tr>
<tr>
<td>• UN's Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting</td>
<td></td>
</tr>
<tr>
<td>• EC multi-stakeholder platform for the implementation of SDGs in Europe.</td>
<td></td>
</tr>
<tr>
<td>• &lt;IR&gt; Framework implementation review</td>
<td>We learn and benefit much from these stakeholders. Their referencing of integrated reporting in national codes, recommendations and requirements supports our vision. See pages 33-34 for more information.</td>
</tr>
<tr>
<td>• Bilateral engagement with institutional funders.</td>
<td>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 fundraisers to align our interests. See pages 14-15 and 35.</td>
</tr>
<tr>
<td>• &lt;IR&gt; Academic Network.</td>
<td>The academic community provides credible evidence of the benefits of integrated reporting. We recognize the needs, interests and vital role of academia and feel further investment in these relationships is important. See the work of our &lt;IR&gt; Academic Network on pages 28-29.</td>
</tr>
<tr>
<td>• Monthly team, and sub-team meetings</td>
<td>Team commitment will continue to drive our success. In 2017 we performed an exercise to follow up our 2016 team survey, which showed strong alignment to the goals of the IIRC, producing an action plan to address identified areas for improvement, including improved internal communications across our widely spread team.</td>
</tr>
<tr>
<td>• Annual performance reviews.</td>
<td></td>
</tr>
</tbody>
</table>
Material matters

Material matters are those that substantively affect our ability to create value. Those that may destroy value are termed risks; those that may create value are termed opportunities.

We start with identifying a wide variety of risks and opportunities, by: considering our strategy, work plans and the <IR> Framework implementation review; observing market trends; reviewing agendas and minutes of Board and Council meetings, and the Board Evaluation report; and checking risk management tools/checklists.

Identified risks and opportunities are assessed quantitatively in terms of: (a) the potential severity of their impact, (b) likelihood of their occurrence and (c) the effectiveness of our controls and response.

Our response to material matters

<table>
<thead>
<tr>
<th>Material matter and description of risk/opportunity</th>
<th>IIRC response</th>
<th>Strategic theme (pages 27-37)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Value proposition of integrated reporting</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**R** Risk
**O** Opportunity

Relevance of integrated reporting to macro themes.
Making the links between macro trends and integrated reporting can provide a powerful tool for building support for integrated reporting and ensuring it continues to be seen as a relevant response to current issues.

- Make public statements, issue policy papers and continue to deliver communications to demonstrate alignment of integrated reporting to global developments
- Ensure attendance at important economic summits, e.g. the World Economic Forum and B20.

Credibility of integrated reports.
Poor quality integrated reports would fail to meet investors’ information needs and undermine the benefits and concept of integrated reporting.

- Deliver action points identified in the <IR> Framework implementation review
- Monitor quality of reports through internal and external surveys
- Disseminate best practice through <IR> Network programme (pages 27-28), <IR> Examples Database and <IR> Training Programme
- Work with the International Auditing and Assurance Standards Board (IAASB) and others to develop the role of assurance.
### Making the case for integrated reporting.

**Insufficient understanding or evidence of the benefits of integrated reporting to businesses, investors and broader capital markets would hinder growth in adoption.**

- Build the business case for integrated reporting, including case studies on how boards are adapting to global trends and encourage research
- Expand our global communications programme, leveraging key global partners, to increase profile, accessibility and understanding of the business case
- Develop thought leadership on the role of integrated thinking as a foundation of integrated reporting and inclusive decision-making.

#### Strategic theme (pages 27-37)

1

### Business focus on sustainable development.

**Integrated reporting is an effective means of linking material sustainability matters to value creation.**

- Continue our programme of alignment with the SDGs through partnerships and supranational platforms (pages 28 and 34), and include in the <IR> Network programme
- Seek further leverage from the work of the Business and Sustainable Development Commission, including its legacy projects on blended finance and benchmarking.

#### Strategic theme

1

## 2. Pace and scale of <IR> Framework adoption

### Corporate reporting system.

**The range of standards, frameworks and regulations risks adding to the perception that integrated reporting could cause further burden and fragmentation. Perceived competition and divergent definitions of integrated reporting would create market confusion and uncertainty.**

- Support the Corporate Reporting Dialogue as a unifying force and seek a clear move from dialogue to alignment, with integrated reporting as the "umbrella" system
- Work bilaterally with leaders in the world of financial reporting to position integrated reporting as central to the future of mainstream corporate reporting and distinct from sustainability reporting, and develop an understanding of a new ‘end-game’ for the corporate reporting system – in particular through collaboration with IASB’s management commentary practice statement project
- Engage with global initiatives relevant to the future of corporate reporting, capital market reform, digitalization, inclusive capitalism and sustainable development, building an understanding of the role and impact of integrated reporting in achieving their aims.

#### Strategic theme

1, 2, 4, 5

### Investor demand for integrated reporting.

**Visible demand from investors is a vital incentive for business adoption of integrated reporting – low demand would stall widespread business adoption.**

- Build investor support through engagement with key influencers in the capital markets, including through events
- Increased emphasis internally on investor engagement through individual targeting, working with investor networks and bodies, in particular CFA Institute, PRI and ICGN. Use trend towards ESG investment as catalyst for integrated investment
- Build further the evidence base on benefits of integrated reporting to investors through partnering on research.

#### Strategic theme

1, 3

### Supportive regulatory environment.

**Endorsement from regulators and policymakers could accelerate adoption of integrated reporting.**

- Engage with policymakers to ensure revised corporate governance and stewardship codes endorse and/or align to integrated reporting
- Work to build increasing recognition of integrated reporting by major supranational institutions.

#### Strategic theme

1, 5
### Materiality

<table>
<thead>
<tr>
<th>Material matter and description of risk/opportunity</th>
<th>IIRC response</th>
<th>Strategic theme (pages 27-37)</th>
</tr>
</thead>
</table>
| **Key markets: USA and China.** Slower progress of integrated reporting penetration in the key markets of USA and China (i.e. the two largest economies) would hinder global adoption. | - Dedicated USA lead in place who has established a USA Network. Development of working groups, e.g. with technology companies and wider engagement with lead investor representative bodies  
- Two country visits to China planned for 2018 with the Ministry of Finance (now a Council member)  
- Develop with the Board clear strategies for USA and China markets. | 1 |
| **Demonstrable momentum of adoption.** A pronounced and measurable shift to integrated reporting could stimulate further uptake of the <IR> Framework to support critical mass. | - Target businesses to adopt integrated reporting, developing new target markets and sectors and encourage them to join integrated reporting networks  
- Engage with, and increase support from, international business organizations and their national members  
- Increase collaboration with existing and new convening partners to encourage wider networking around integrated reporting with leading companies and sectors. | 1 |
| **Ease of adoption.** A perception that implementing integrated reporting is too challenging might hinder growth in adoption. | - Deliver action points identified in the International <IR> Implementation Feedback Summary Report (link on page 9)  
- Work with training partners to enhance quantity and review quality of programmes  
- Deliver an engaging and useful <IR> Network programme, and grow and enhance the <IR> Examples Database  
- Deliver tailored strategies in priority markets to overcome practical obstacles to adoption. | 2 |

### 3. IIRC capacity

| IIRC resource constraints. Our funding model, global spread and capacity gaps challenge our ability to deliver our strategy and take full advantage of the momentum for integrated reporting. | - Establish a fundraising campaign to increase grant income while maintaining existing core support  
- Close resource gaps through new secondments and partnerships on specific projects  
- Identify funding opportunities through existing relationships. | 6 |
| IIRC relationships. Our institutional reach is extended by our coalition and partners who build awareness and advance our vision. | - Review current priority partners list and forge deeper partnerships with those that will deliver most  
- Lever support from international business organizations and their national members  
- Identify and work with partners to pursue projects that support our strategy and lever communication channels. | 4, 6 |
The review of our activities and performance in 2017 is structured around the six strategic themes or objectives of the Breakthrough Phase, while cutting across all key elements of our value creation model and governance.

**Strategic theme 1:**

**Increasing the pace and scale of integrated reporting adoption**

**Material matters (pages 24-26)**

- Making the case for integrated reporting
- Complex corporate reporting system
- Investor demand for integrated reporting
- Uptake of integrated reporting in USA and China

**Connection to governance**

*Advocacy by governance body members extends our reach into priority markets*

**Activities/outputs**

**<IR> Network and events**

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>&lt;IR&gt; Network*</td>
<td>95</td>
<td>93</td>
<td>77</td>
</tr>
</tbody>
</table>

*Including Technology Initiative participants*

New joiners to the <IR> Network included ABN Amro, ArcelorMittal, Dellas Diamond Tools, FarEasTone, Impala Platinum, ING, Schiphol Airport and Vancity.

We revised our <IR> Network recruitment model and have been developing an increased offering for companies that are maturing in their approach to integrated reporting. As well as the webinars and report critiques programme, we created the Financial Institutions Special Interest Group within the main network, with the launch of more special interest groups anticipated in 2018.

We collaborated with ACCA on a thought leadership paper on the high-level trends and learnings from the 2016 <IR> Network report critiques.

We held the 2017 Integrated Reporting Convention in Amsterdam, bringing together around 250 delegates from 31 countries around the world, galvanizing support for integrated reporting, with support from our partners in the Netherlands NBA and Eumedion.

We also hosted two Labs of the Corporate Leadership Group on Integrated Reporting, jointly organized with Global Reporting Initiative (GRI).

**Regional/sector network partners**

Our reach is expanded through collaboration with a number of partners around the world who convene regional and sector-specific integrated reporting networks. 2017 highlights included a Banking Network [paper](#) on how banks disclose their efforts around innovation, and an IFAC survey of its
Global and regional engagement

Our new USA market lead set up a working group and an IIRC US Community in collaboration with Smarter-Companies, starting a series of webinars aimed principally at business. A seconded China market lead has not yet materialized, but we presented at a round-table for senior Chinese business leaders and hosted a delegation from the Ministry of Finance, with whom we have developed our strategy for the Chinese market in 2018.

We continued to visit numerous other markets, involving speaking engagements, participation at round-tables and bilateral engagement with key members of our stakeholder groups (pages 20-23) at the national level.

Engagement at the global level included addressing the Global Network of Director Institutes, where the concept of integrated reporting was welcomed warmly by member bodies; a global conference of national development banks at the invitation of the World Bank; and IFAC’s CEO Forum, which was followed by a further discussion at the Global Accounting Alliance.

<IR> Training Programme

We continued to grow the <IR> Training Programme while maintaining the quality of training provided.

<table>
<thead>
<tr>
<th>Training programmes</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training partners</td>
<td>13</td>
<td>8</td>
</tr>
<tr>
<td>Courses run</td>
<td>34</td>
<td>12</td>
</tr>
<tr>
<td>Participants</td>
<td>367</td>
<td>103</td>
</tr>
<tr>
<td>Average participant course score (out of 5)</td>
<td>4.0</td>
<td>4.1</td>
</tr>
</tbody>
</table>

Sustainable Development Goals

We met with the Head of the UN Global Compact, helping facilitate a workshop on business reporting on the SDGs with NBA, the national accountancy federation in the Netherlands.

We collaborated with Scottish accountancy body ICAS and the Green Economy Coalition on a report, authored by Prof. Carol Adams, to help organizations enhance their contribution to the SDGs through integrated reporting, with a foreword from the Chair of the Business Commission for Sustainable Development. We presented the report in the USA during ‘Climate Week’ in the United Nations.

We are the only reporting organization to be appointed to the new multi-stakeholder platform on SDGs established by the European Commission. We are collaborating on the work of UNCTAD on target SDG 12.6 and are also on the advisory group of a project led by UN Global Compact and GRI on measuring the SDGs.

Evidence base

The Academic Research Support Group pulled together over three hundred published articles and research papers that will be shared publicly via a database in 2018.

Some examples of emerging academic evidence in this area include a publication showing that integrated reporting improves conditions for long-term investment (Harvard Business School), reduces cost of capital (National University of Singapore and separately, Stanford Business School) and improves shareholder value (Chuo Graduate School of Accounting, Japan).

While the evidence base is getting strong, we need to package the findings in a way that business audiences will find compelling.

Performance indicators

Integrated reporters

We updated our own database of the <IR> Framework influenced reports, identifying 549 for the last annual cycle (i.e. predominantly 2017 year-ends), the vast majority of which referenced the <IR> Framework directly, with some included for clear use of the <IR> Framework methodology. A similar exercise we performed in 2015 identified 307 such reports, which indicates an 80% increase.
Our methodology is not perfect due to limited resources, so we also look to other studies to a wider perspective on adoption of integrated reporting.

Of the 4,900 companies surveyed in KPMG’s global report on corporate reporting 14% produced a (self-labelled) “integrated” report in 2017, compared to 11% in the previous KPMG survey of 2015 - indicating an increase in the number of integrated reports of 27%. Around two thirds of these also reference the <IR> Framework. However, among just the world’s largest 250 companies, the percentage dropped marginally from 15% in 2015 to 14% in 2017.

Based on results from different market studies and our own market intelligence, we estimate that over 1,600 companies across 64 countries in total are on the journey towards integrated reporting worldwide.

This includes:
- 279 companies in Japan (up from 205 noted in 2016)
- A quarter of Australia’s biggest 200 companies now using the principles of integrated reporting (up from 14% in 2016)
- 35 companies in Malaysia
- One third of the UK FTSE 350
- 55% increase in integrated reports by Dutch listed companies
- Twenty of the top forty listed French companies, with our partners Paris Europlace, the French markets authority, setting a target of all forty within three years.

**Endorsements**

A major ‘breakthrough’ moment came with the International Federation of Accountants’ (IFAC) paper, ‘Enhancing organizational reporting: Integrated reporting key’, which identifies integrated reporting as the future of and “umbrella” for corporate reporting.

Institut Français des Administrateurs (IFA) released a report calling on Boards to produce an integrated report.

The Ministry of Finance, China, expressed support for integrated reporting in its 13th Five Year Plan – a significant signal to the market towards greater adoption.

The Pan African Federation of Accountants (PAFA) set up an Integrated Reporting Committee with the World Bank. Mainstreaming integrated reporting among member PAOs was one of PAFA's top ten priorities for 2017.

---

**Strategic theme 2:**

**Maintaining the <IR> Framework, underpinned by leading practice and guidance**

---

**Material matters (pages 24-26)**

- Credibility of integrated reports
- Complex corporate reporting system

---

**Connection to governance**

The Council is our initial barometer for guidance on public opinion and market demand; the <IR> Framework Panel guides review and revision of the <IR> Framework
Activities/outputs

<IR> Framework

The <IR> Framework implementation review is discussed on pages 8-9.

<IR> Examples Database

- We added 92 (2016: 56) new examples of best practice in the <IR> Examples Database and 127 (2016: 64) new reporter organizations.
- Web traffic reduced slightly by 3%, against a 15% increase of the <IR> Framework webpage. In 2018 we will improve the access and search facilities of the database, and a redesign of our homepage will make it more visible and accessible.
- Black Sun, with whom we run the Database, published research providing a snapshot of 50 organizations recognized for their integrated reporting to assess best practice globally.

Performance indicators


Going forward our KPIs will include the score from IIRC stakeholder survey questions below (a stakeholder survey was not performed in 2017):

- What is your view of the quality of research and reports produced by the IIRC and partners as shown on the IIRC website?
- To what extent does available guidance and tools address barriers to practical integrated reporting adoption?

Strategic theme 3:

Building a bridge from corporate reporting to financial capital allocation

Material matters (pages 24-26)

- Investor demand for integrated reporting

Connection to governance

Investors on governance bodies inform our engagement with the investor community

Activities/outputs

Investor statement

We launched the investor statement of support for integrated reporting at the PRI in Person Conference with 12 signatories from mainstream investor organizations from the UK, the Netherlands and Australia: Aberdeen Standard Investments, Achmea Investment Management, Aegon Asset Management, Cbus Super, Eumedion, Evenlode Investment, Hermes Investment Management, Martin Currie Investment Management, NN Investment Partners, PGGM Investment Management, Triodos Investment Management, VicSuper.

We are using this statement to demonstrate to businesses the growing demand for integrated reporting from the investor community and to build further investor support, signing up a further seven investors in 2018 to date: Allianz Global Investors, Comgest, Edmond de Rothschild Asset Management France, EFFAS, Resona Bank, Sparinvest International and WHEB Asset Management.
Investor engagement

As well as bilateral engagement with investors, we connected to relevant investor-led initiatives, including speaking at a seminar hosted by the Australian Council of Superannuation Investors and G100, ‘Dialogue for longer-term value creation – Bridging the information gap between capital market participants’, and attending the annual event of the ‘CEO Force for Good Strategic Investor Initiative’.

We published ‘Creating Value: Benefits to Investors’, highlighting what the <IR> Framework aims to deliver to investors and how it helps to meet their demands for better information from investee companies.

Partnerships

We signed a new memorandum of understanding (MoU) with the CFA Institute, in which they committed to communicating about integrated reporting through their conferences, the media and with their members; high-level advocacy from its leadership; and making appropriate representations within policy and regulatory arenas.

We are pleased to continue our partnership with the International Corporate Governance Network (ICGN) with whom we will deliver our second joint conference in 2018, working also with our close partners JICPA and the Tokyo Stock Exchange.

Performance indicators

Global investor survey

EY’s 2017 global investor survey found that integrated reports remained the second most useful source of non-financial information when making an investment decision behind the annual report. The majority, 57%, of the respondents considered integrated reports to be essential or very useful in conveying non-financial performance when making investment decisions, though this represents a fall from 71% from the previous study in 2015.

92% agreed that public company CEOs should lay out an explicit strategy each year for long-term value creation and directly affirm that the company’s board has reviewed it. This is consistent with integrated reporting, indicating the issue above is about the current quality, rather than the purpose of integrated reports. Our comprehensive technical work programme (outlined on pages 8-9) will facilitate improvement in the quality of integrated reports.

Other evidence

Strong evidence of increased demand from investors for integrated reporting came from the CEO of BlackRock’s annual letter to the US and EU CEOs which called for companies to provide “an annual strategic framework for value creation”, which is highly consistent with integrated reporting.

These results are consistent with other research published during 2017 including, ‘The Investing Enlightenment’ by Bob Eccles and Mirtha Kastrapeli in collaboration with State Street, and PwC’s ‘2017 Global Investor Survey’.

While we are making progress in the investor space, more active and effective engagement is constrained by our limited resources.
Strategic theme 4: Progress through dialogue: developing the Corporate Reporting Dialogue

Material matters (pages 24-26)

R • Complex corporate reporting system

O • Effective IIRC relationships

Activities/outputs

Meetings

We convened three meetings of the Corporate Reporting Dialogue in 2017. A particular focus has been ongoing efforts to upscale the work of the Dialogue by establishing a joint, independently funded project to align the different frameworks and metrics in the context of how they relate to the Financial Stability Board Task Force on Climate-related Financial Disclosure (FSB TCFD), to better communicate this and the wider progress of the Dialogue to the market, and to enhance the capacity of the Dialogue by contributing funding towards the cost of participation for the different organizations, including the IIRC. We expect to confirm funding for this project in 2018.

Outputs

The Dialogue issued a response to the FSB TCFD recommendations, which included a specific call for integrated risk management – a very good sign of close cooperation between the different frameworks on a key issue.

Other engagement

The IIRC presented to the IFRS Trustees and renewed MoUs with IFRS Foundation (IASB) and CDP. We were also appointed to the advisory group of the (now launched) Social and Human Capital Protocol.

Connection to governance

The IIRC convenes eight influential standard setters and framework developers via the Corporate Reporting Dialogue. The initiative’s Corporate Reporting Landscape Map shows how organizations can report on the six capitals identified in the <IR> Framework. Equipped with the range of disclosure options, organizations can better communicate their progress on the SDGs.

Performance indicators

IASB

There was clear endorsement from Hans Hoogervorst, IASB Chair, at our New York Council meeting, who said that through integrated reporting organizations can, “address more clearly resources that are not included in financial statements. The increasing awareness that environmental and societal restrictions have an impact on long-term value creation is also clear.”

We helped lead sessions at the Global IFRS Conference and at the Accountancy Europe Conference, which both demonstrated that integrated reporting is at the heart of international debates about the future of the corporate reporting system.

IASB’s new thinking on the concept of materiality is partly based on our joint work in the Corporate Reporting Dialogue. Furthermore, IASB are preparing a revision to the Management Commentary Practice Statement in the light of global developments in corporate reporting, including integrated reporting – a significant development which will help build a bridge from financial reporting to integrated reporting.

Going forward

Going forward our KPIs will include the score from IIRC stakeholder survey questions below:

• To what extent do you agree that integrated reporting promotes a more connected and efficient approach to corporate reporting?

• To what extent do you agree that integrated reporting is an “umbrella” for corporate reporting, providing the context and linkages for other forms of reporting?

• How connected do you think the current elements of corporate reporting are today?
Strategic theme 5: 
Engaging with global policymakers and regulators

Material matters (pages 24-26)

- Complex corporate reporting system
- Response to macro themes
- Supportive regulatory environment

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

Activities/outputs

Bilateral engagement
Our engagement with regulators around the world led to further regulatory support for integrated reporting in 2017.

**Japan** – Our engagement with the Ministry of Economy, Trade and Industry culminated in their publication of ‘Guidance for Collaborative Value Creation’, which aligns reporting practice closely to integrated reporting.

**India** – IIRC Board member Upendra Sinha was Chair of the Securities and Exchange Board of India (SEBI) when they published a circular asking the top 500 companies in India to adopt integrated reporting.

**Turkey** – We signed a Memorandum of Understanding with Borsa Istanbul to support and encourage the adoption of integrated reporting in Turkey.

**UK** – We continued our engagement with the Department for Business, Energy and Industrial Strategy and Financial Reporting Council, whose ‘Draft Guidance on the Strategic Report’ strengthened the alignment between UK regulation and integrated reporting.

**Malaysia** – Our regular meetings with the Securities Commission of Malaysia led to the launch of their Corporate Governance Code which encourages companies to adopt integrated reporting.

**Mauritius** – Following discussions with the IIRC the Minister for Financial Services, Corporate Governance and Institutional Reform made a statement urging companies to adopt integrated reporting.

**New Zealand** – Integrated reporting was referenced in the ‘NZX Corporate Governance Code 2017’ and in the Financial Markets Authority’s ‘Consultation Paper: Updated Corporate Governance Handbook’, which we submitted a response to.

Sri Lanka – The Institute of Chartered Accountants of Sri Lanka’s ‘Code of Best Practice on Corporate Governance 2017’ calls on businesses to “consider the need for adopting integrated reporting”, and specifically references the <IR> Framework.

Sweden – Government offices of Sweden released guidance on sustainable business which points companies to the <IR> Framework.

Supranational platforms
Out of the 11 key supranational platforms that we have identified, we were on the agenda of six in 2017:

**European Commission**
We continued to engage with a range of partners at the European Commission. The European Commission’s Guidelines on Non-Financial Reporting referenced the leadership and knowledge the IIRC provided in its development, and reflected the key principles of integrated reporting - recognizing the importance of linkages and inter-relations of information. The directive itself provides an important impetus to 6,000 businesses across Europe to start thinking about broader value creation.

Integrated reporting was on the agenda of the European Union’s High-Level Expert Group on Sustainable Finance, chaired by IIRC Board member Christian Thimann and also including IIRC Council member Claudia Kruse and IIRC Ambassador Dr. Steve Waygood. We were also appointed to the European Commission’s Sustainable Development Goals Platform – the only reporting organization chosen to take part.
IASB
Refer page 32 for details.

FSB TCFD
The FSB TCFD reinforced the key principles of integrated reporting in its recommendations released in June 2017 – that companies should adopt an integrated approach to their risk management and that climate change is itself not simply an environmental issue, but a financial challenge for companies and for stability of the global economy. The Task Force specifically recommended alignment with existing reporting frameworks including integrated reporting.

IOSCO
IOSCO have taken a more proactive role in accelerating their consideration of sustainable finance and we have had positive discussions with them regarding the role integrated reporting can play. We have been invited to speak at their Committee on Issuer Accounting, Audit and Disclosure (Committee 1) in 2018.

UN
We spoke at the annual Intergovernmental Working Group of Experts on International Standards of Accounting and Reporting meeting, and are on the consultative group on matters relating to reporting and SDGs. We also took part in the Eminent Persons Group for the UN Guiding Principles Reporting Framework.

ICGN
Integrated reporting remains a part of ICGN’s ‘Global Governance Principles’, providing a platform for our close partnership – leading to a second joint conference in 2018.

Other global engagement
Other key engagements throughout 2017 in the policy arena include: active participation in B20 Taskforce on Energy, Climate & Resource Efficiency; our close partner IFAC calling on G20 leaders to “embrace integrated reporting” in their ‘Call for Action by G20 countries’; participation in the OECD Expert Group on Measuring Impacts of Business on Well-being; and meetings and events with various international bodies such as the International Trade Union Council and the International Chamber of Commerce.

Performance indicators
Regulatory alignment

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>IIRC’s priority markets</td>
<td>12</td>
<td>8</td>
<td>4</td>
</tr>
<tr>
<td>Percentage of IIRC’s priority markets</td>
<td>39%</td>
<td>26%</td>
<td></td>
</tr>
<tr>
<td>Other markets</td>
<td>4</td>
<td>1</td>
<td>3</td>
</tr>
<tr>
<td>Total</td>
<td>16</td>
<td>9</td>
<td>7</td>
</tr>
</tbody>
</table>
Strategic theme 6: Developing a long-term, viable organization

Material matters (pages 24-26)

R
- IIRC resource constraints

O
- Effective IIRC relationships

Activities/outputs

Fundraising

We employed a consultancy to review our fundraising strategy and to identify the potential to diversify our funding base, identify which types of funders to prioritize and identify what we need to do to capitalize on these opportunities. The key findings, limited to grant funding, are given below:

Strengths

There is great stakeholder respect for the IIRC team, the Board and Council and the choice of leadership, and strong commitment to support us.

- The IIRC’s ‘egolessness’ in pulling together the Corporate Reporting Dialogue
- The ‘straddling’, global and inclusive approach of the IIRC was noted as IIRC’s unique selling proposition and point of difference from its comparators
- Willingness from the core team and some stakeholders to play an active role in fundraising
- Foundations are promising sources, based on the success of comparators
- Contributions policy is in place with commitment to taking fundraising best practice seriously

Challenges

- The IIRC has a relatively complex ‘sell’ compared to more traditional causes which address singular issues
- Need for greater urgency in our vision, and defined timelines, to get funders’ attention

Fundraising remains high priority. We will explore new funding sources such as charitable foundations while maintaining existing core support from ‘Breakthrough partners’, with a full-time dedicated team member to start in January 2018.

We will differentiate ourselves from comparators while building on the ‘elevator pitch’ work. The elevator pitch complements our existing communications, and translates the strategy and brand story into a vibrant, conversational text, in particular with audiences who have not engaged with us or the concept of integrated reporting before.

Staffing

Our total average headcount during 2017 remained at 29 staff members, amounting to 19.3 FTE (2016: 21.2 FTE).

Staff team structure

As depicted in the diagram that follows, we operate under five strategic business units, each having regular staff and those seconded pro bono from other organizations as well as consultancy support. Each business unit focuses mainly on one or more of our strategic themes, while supporting others.

Connection to governance

Robust governance supports the integrity of our work, attracts funding and improves access to policymakers.
CEO Office
- Support to CEO
- USA market lead
- Administrative support

Global Networks and Relationship
- Manage <IR> Networks and related global events
- Collaborate with regional and industry networks (run by partners)
- Collaborate with key partners and institutions
- Engage with investor community
- Hold annual IIRC conference
- Develop priority market strategies and engage with regional stakeholders

Guidance, Research and Training
- Review the <IR> Framework implementation and manage technical work plan
- Convene and input to the Corporate Reporting Dialogue
- Maintain the <IR> Examples Database
- Facilitate the <IR> Academic Network and core research
- Deliver the <IR> Training Programme

Policy, Communications and Marketing
- Engage with policymakers and regulators
- Coordinate IIRC communications and marketing
- Develop IIRC strategy

Operations
- Central business functions including operations, finance and governance

Performance indicators

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 income. They include –
- Pro bono provision of our London office premises.
- Staff seconded pro bono from other organizations accounted for 5.6 full-time equivalent (FTE) in 2017, and accounted for 29% of our total staffing. However, this is a decline from the 7.8 FTE we enjoyed in 2016.
### Income statement

<table>
<thead>
<tr>
<th></th>
<th>2017 GBP '000</th>
<th>2016 GBP '000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>INCOME</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Council contributions</td>
<td>663</td>
<td>724</td>
</tr>
<tr>
<td>Network contributions</td>
<td>559</td>
<td>599</td>
</tr>
<tr>
<td>Grants and other</td>
<td>305</td>
<td>26</td>
</tr>
<tr>
<td>Training and events</td>
<td>198</td>
<td>160</td>
</tr>
<tr>
<td><strong>Total INCOME</strong></td>
<td>1,725</td>
<td>1,509</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>(1,331)</td>
<td>(1,365)</td>
</tr>
<tr>
<td>Travel and subsistence</td>
<td>(248)</td>
<td>(143)</td>
</tr>
<tr>
<td>Communications and</td>
<td>(47)</td>
<td>(33)</td>
</tr>
<tr>
<td>engagement</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Other costs</td>
<td>(116)</td>
<td>(59)</td>
</tr>
<tr>
<td><strong>Total OPERATING</strong></td>
<td>(1,742)</td>
<td>(1,600)</td>
</tr>
<tr>
<td><strong>OPERATING DEFICIT</strong></td>
<td>(17)</td>
<td>(91)</td>
</tr>
<tr>
<td>Other non-operating</td>
<td>1</td>
<td>2</td>
</tr>
<tr>
<td>Tax expense</td>
<td>(6)</td>
<td>(9)</td>
</tr>
<tr>
<td><strong>DEFICIT FOR THE YEAR</strong></td>
<td>(22)</td>
<td>(98)</td>
</tr>
</tbody>
</table>

### Income

We continue to be heavily dependent on contributions, which accounted for 89% of our total income (also 89% in 2016). Training and events accounted for the balance.

### Income by stakeholder group

- **3%** Policymakers, regulators and exchanges
- **4%** Providers of financial capital
- **12%** Civil society
- **31%** Accounting profession
- **47%** Business and other reporter entities
- **3%** Other

### Movement on 2016

The increase in income is largely explained by a GBP 200k grant from the Integrated Reporting Foundation, which is expected to be renewed in 2018. The fall in Council contributions is entirely due to timing differences – where contributions pertaining to 2017 Council membership were received and therefore recognized in income in 2016. Taking this into account Council contributions actually increased by GBP 99k. We are working to counter the fall in our networks contributions with the launch of special interest groups as referred to on page 27.

The increased costs is largely explained by increased travel expenditure, specifically related to our Board of Directors due to the changes in personnel made in late 2016. Other costs increased mainly due to forex losses related to our USD bank account and the consultancy costs of our fundraising strategy review.

Our net assets fell marginally according to the loss in the year to GBP 581k (2016: GBP 603k), while our cash level increased by GBP 118k to GBP 863k due to improvement in our cash collection.

For a detailed financial account please refer to the IIRC Financial Statements 2017.

### Going forward

Going forward our KPIs will include the view of the IIRC from our Council members, ascertained via IIRC stakeholder survey question scores:

- What degree of progress do you believe the IIRC is making towards global adoption of integrated reporting?
- As a partner or advocate, to what extent is the IIRC effective at building good relationships with you?
Financial performance

Details of our financial performance are given in the IIRC Financial Statements 2017. We give below a snapshot of its contents.

- Statutory information
  - Independent auditor’s report to the members of International Integrated Reporting Council
  - Comprehensive income statement
  - Statement of changes in equity
  - Statement of financial position
  - Statement of cash flows
  - Notes to the financial statements

The IIRC Financial Statements 2017 may be accessed here.
<table>
<thead>
<tr>
<th>Acronyms</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>ACCA</td>
<td>Association of Chartered Certified Accountants</td>
</tr>
<tr>
<td>APEC</td>
<td>Asia-Pacific Economic Cooperation</td>
</tr>
<tr>
<td>BIAC</td>
<td>Business and Industry Advisory Committee to the OECD</td>
</tr>
<tr>
<td>CIPFA</td>
<td>Chartered Institute of Public Finance and Accountancy</td>
</tr>
<tr>
<td>ESG</td>
<td>Environmental, Social and Governance</td>
</tr>
<tr>
<td>FASB</td>
<td>Financial Accounting Standards Board</td>
</tr>
<tr>
<td>FSB</td>
<td>Financial Stability Board</td>
</tr>
<tr>
<td>GRI</td>
<td>Global Reporting Initiative</td>
</tr>
<tr>
<td>IAASB</td>
<td>International Auditing and Assurance Standards Board</td>
</tr>
<tr>
<td>IASB</td>
<td>International Accounting Standards Board</td>
</tr>
<tr>
<td>ICAS</td>
<td>Institute of Chartered Accountants of Scotland</td>
</tr>
<tr>
<td>ICC</td>
<td>International Chamber of Commerce</td>
</tr>
<tr>
<td>ICGN</td>
<td>International Corporate Governance Network</td>
</tr>
<tr>
<td>IFAC</td>
<td>International Federation of Accountants</td>
</tr>
<tr>
<td>IIRC</td>
<td>International Integrated Reporting Council</td>
</tr>
<tr>
<td>IOSCO</td>
<td>International Organization of Securities Commissions</td>
</tr>
<tr>
<td>&lt;IR&gt; Framework</td>
<td>International Integrated Reporting Framework</td>
</tr>
<tr>
<td>OECD</td>
<td>Organisation for Economic Co-operation and Development</td>
</tr>
<tr>
<td>PAFA</td>
<td>Pan African Federation of Accountants</td>
</tr>
<tr>
<td>PAO</td>
<td>Professional Accountancy Organizations</td>
</tr>
<tr>
<td>PRI</td>
<td>Principles for Responsible Investment (United Nations)</td>
</tr>
<tr>
<td>SDG</td>
<td>Sustainable Development Goals (United Nations)</td>
</tr>
<tr>
<td>SEBI</td>
<td>Securities and Exchange Board of India</td>
</tr>
<tr>
<td>TCFD</td>
<td>Task Force on Climate-related Financial Disclosures</td>
</tr>
<tr>
<td>UNCTAD</td>
<td>United Nations Conference on Trade and Development</td>
</tr>
<tr>
<td>UNEP FI</td>
<td>United Nations Environment Programme Finance Initiative</td>
</tr>
<tr>
<td>UNGC</td>
<td>United Nations Global Compact</td>
</tr>
<tr>
<td>WBCSD</td>
<td>World Business Council for Sustainable Development</td>
</tr>
<tr>
<td>WEF</td>
<td>World Economic Forum</td>
</tr>
</tbody>
</table>