IIRC Framework Panel: Meeting of 13 June 2017

Via teleconference, 13:30 pm - 15:30 pm London time

Members/TAs	Erik Breen (Chair), Sarah Bostwick Stromoski, Tom Roundell Greene, Hugh Shields, David Loweth, Jason Voss, Zubair Wadee
IIRC	Richard Howitt, Lisa French, Michael Nugent, Liz Prescott
Apologies	Lothar Rieth, Nancy Kamp-Roelands, Roger Simnett
Minutes	Liz Prescott

AGENDA	Item

1. Welcome and attendance

2. Notes of previous meeting

3. Project process

a) Inviting input
To brief Panel members on past process and developments to provide context for analysis

b) Analysis and drafting
To advise Panel members of expected outputs, milestones, timelines and process for out-of-session feedback

4. Feedback summary (Question 4)

5. Final report template

6. Any other business

7. Next meeting

1   Welcome and objectives

The Chair welcomed Panel members and noted the order of the agenda would be altered slightly, with Item 5 to be discussed before Item 4.

2   Notes of previous meeting and matters arising

There were no matters arising or changes required.

3   Framework implementation feedback

Project process

IIRC Technical Team introduced Item 3a noting that 77 submissions had been received, including from 22 from multi-stakeholder focus groups across 19 economies, which was in line with expectations. The Chair asked how this compared with similar exercises. Comments included:

- Over 350 responses were received to the IIRC's Consultation Draft during development of the International <IR> Framework. The number of responses to the Invitation to Comment was expected to be lower, as the audience was more targeted than for the Consultation Draft – responses were sought from those experienced with the Framework and its implementation to ensure well informed and meaningful feedback was received.

- The number of responses to IASB pronouncements varies by topic (e.g., the recent revenue recognition standard received 700+ responses but others are significantly lower).

- 77 should be viewed as a good number for this type of exercise.

Item 3b was introduced and the Panel discussed expected outputs, milestones, timelines and process for out-of-session feedback. The Chair noted the aggressive timetable but thought it achievable.

5   Final report template

The Chair introduced Item 5. Suggestions included:

- Adding a section to indicate future direction for the IIRC to build a bridge to the next stage for the organization and the Framework.

- Being clear as we can be about whether or not the Framework would be revised as a result of the current project and if not, when it would be revised.

- Mentioning stakeholder type and geography, where possible, in the final report, as well as progress from the Consultation Draft to the Framework to the current exercise.

4   Feedback Summary for Question 4 on Materiality

The Chair introduced Item 4. Comments included the following:

- Some consultation responses betrayed a misunderstanding of Framework concepts (e.g., integrated report's intended audience; call for one materiality definition across all reports).

- There was some support for reissuing or re-promoting the Corporate Reporting Dialogue and IFAC-IIRC papers on materiality. Alternatively (or additionally), the IIRC could begin its series of Practice Notes (per its *Procedures Handbook*) by providing guidance and incorporating by reference the aforementioned papers.

- An IASB Practice Statement on materiality is due for release in Q3 2017. Despite its financial statement focus, the document could provide 'hooks' by linking to the Framework and broader reporting. Consideration among Corporate Reporting Dialogue participants was also suggested.

- It is worth considering a revision to the existing IIRC Background Paper on value creation.

- Although respondents struggled with the 'intangibleness' of value creation, related guidance should stay at a high level to encourage organizations to consider how the concept applies to their circumstances. The Framework is a *philosophical framework* not a *rules-based accounting framework*. The choices made by the IIRC and report preparers should recognize this.

- Value should be defined by the entity according to its own organization. It is not for the IIRC to define a one-size-fits-all approach.

- Guidance about value might assist with *process thinking* -- to help companies reach their own answers through dynamic formation of a judgement (via process, inquiry and reflection).

- The concepts in the International <IR> Framework may be too nebulous for some. Guidance could clarify the spirit of the Framework in relation to materiality and value creation and help preparers interpret a malleable definition to suit their own circumstances.

- An abundance versus scarcity lens for time frames was mentioned. (A longer-term focus does not preclude the short term. Rather, it ensures reporting is balanced *across* time frames. Short-term disclosures are a basis for longer-term outlook. A related article in the Journal of Applied Corporate Finance is pending.) This view could be stressed in FAQs or other channels.

- Time frame concepts can be demonstrated through metaphor and analogy. This has the added benefit of overcoming language barriers (e.g., **A.** Riders on a long-distance journey focus on short-term conditions, while keeping the total distance in mind. **B.** When using a flashlight in the dark, distant objects are less illuminated; they become clearer as they get closer).

- Investor interest in long-term perspectives was raised. Integrated reporting helps by providing insight into management thinking: *To what extent does management consider the long-term? Does management treat the short-, medium- and long-term as part of a continuum?* It also helps investors identify businesses whose philosophies align with their own.

6   Any other business

No matters were raised.

7   Conclusions and next steps

The Chair thanked panel members and the IIRC team and closed the meeting.
The next call is scheduled for 27 June 2017.