IIRC Framework Panel: Meeting of 10 October 2017

10 October 2017, The Circle, ABN Amro, Amsterdam and teleconference, 14:00 – 17:30 CET

Members/TAs Erik Breen (Chair), Jean-Luc Barlet, Sarah Bostwick Stromski, Laura Leka (TA for Stathis Gould), Rodrigo Morais, Yoichi Mori, Lothar Rieth, Tom Roundell Greene, Hugh Shields, Jason Voss, Zubair Wadee

IIRC Richard Howitt, Michael Nugent, Liz Prescott, Neil Stevenson

Guests Ian Mackintosh (Chair, Corporate Reporting Dialogue)

Apologies Lisa French, Stathis Gould, Nancy Kamp-Roelands, David Loweth, Roger Simnett

Minutes Liz Prescott

AGENDA

1. Welcome and attendance
2. Minutes of previous meeting and matters arising
3. FAQs
4. Project proposals
5. Ongoing discussion with others
6. <IR> Training Programme (tentative)
7. Corporate Reporting Dialogue (tentative)
8. Any other business
9. Conclusions and next steps

1. Welcome and attendance
The Chair welcomed Panel members attending in person and by telephone and noted apologies.

2. Minutes of previous meeting and matters arising
The Chair asked for confirmation of minutes of the 29 August 2017 meeting. It was noted that one member’s comments, sent out-of-session, had yet to be incorporated. The IIRC confirmed its plan to amend the minutes accordingly.

3. Frequently Asked Questions (FAQs)

- The IIRC introduced plans for market guidance via a Frequently Asked Questions document and online format. Members generally agreed that FAQs are a ‘quick win’ in terms of tackling recurring Framework interpretation and implementation challenges. It was also agreed that:
  - The FAQs are important to facilitate framework implementation by companies, and need to be as straightforward and practical as possible, rather than theoretical
  - The FAQs need to reflect key questions raised in our feedback statement and actions, such as output vs outcome, and using <IR> Framework in conjunction with more detailed measurement guidance/standards
  - There should be one set of FAQs in a designated place on the IIRC’s website
Visitors should be able to download FAQs in their entirety or by topic
− Topics covered by the FAQs should continue to be updated, as necessary
− New topics should be added progressively each month and flagged in the IIRC’s newsletter
− Paragraph numbers and hyperlinks should be used to connect to Framework content
− To prevent the perception of formal endorsement, the FAQs should avoid including specific company names or examples
− To avoid recreating the wheel, the IIRC should, where appropriate, draw from existing explanations prepared by third parties.

• Per the International <IR> Framework Implementation Feedback Summary Report, the following topics will be included in the FAQs:
  − Multiple capitals (Action 1)
  − Stakeholder needs and interests (Actions 10 and 11)
  − Materiality (Action 16)
  − Conciseness (Action 20)
  − Competitive landscape and market positioning (Action 31)
  − Disclosures about opportunities (Action 33)
  − Governance and value creation (Action 35)

• Under the ‘Multiple capitals’ banner, the IIRC will address trade-offs between the capitals, their relation to the Content Elements, treatment of capitals not owned by the organization and the distinction between intellectual, human, and social and relationship capitals.

• A more general discussion ensued, during which the following points were noted:
  − The IIRC’s Technical Programme should be available on the website and revisited annually
  − Technical resources should be clearly identifiable on the home page, followed by a clear delineation between: (i) dedicated Framework and guidance material and (ii) other material, including regional case studies and examples
  − There should be a direct link between the <IR> Examples Database and the FAQs
  − The <IR> Examples Database should be reviewed annually to ensure older examples are archived, but still accessible; it should be culled to a more focused, streamlined version
  − The examples for each Framework concept should be varied to avoid the impression of endorsing any one approach over others. As a further precaution, the Panel suggested that the IIRC consult the caveats accompanying IASB case studies.
  − In the context of business model outputs versus outcomes (Actions 22 and 23), the IIRC should consider whether a short explanation should also be included in the FAQs, with links to more fulsome guidance elsewhere.

4. Project proposals

• The IIRC presented a draft template to guide future project proposal documents, whether related to guidance or research. Panel members agreed with the following categories:
  − Project title
  − Background, including Framework requirements and guidance, observed practice, current research, how the matter came to attention and why the matter is a priority
  − Expected outcome
  − Key issues and potential solutions
  − Project boundaries
  − Expected output and required process
− Whether a project advisory group is needed and, if so, suggested composition
− Milestones and timetable
− Resource requirements (staff, external parties, funding, information)
− Links to internal or external projects

• The Panel recommended that the following further categories be added:
  − Relevant stakeholders
  − Links to existing regulation (and legal opinion, if feasible)

• IIRC staff introduced a first batch of preliminary project proposal documents for the topics of materiality, ‘getting started’ and use of narrative and ‘non-financial’ information by providers of financial capital. Key discussion points, sorted by topic, are summarized as follows.

**Materiality (Action 17)**

− The Panel cautioned against ‘over-engineering’ the topic. There are opportunities to simplify the IIRC’s existing materiality guidance, relaunch the Corporate Reporting Dialogue’s *Statement of Common Principles of Materiality* and reference related third-party material (e.g., IFRS Practice Statement 2: Making Materiality Judgements).
− Some questioned whether a Practice Note was needed or whether FAQs alone (including reference to other sources) might suffice. It was agreed that the IIRC should address materiality in the short term via FAQs, and reconsider the need for a Practice Note in 2018. In any event, it is important that the IIRC translate its existing ‘implicit’ content into explicit explanations to reduce misunderstanding.
− Any IIRC guidance should underscore the point that companies generally already know which matters are material through their exclusive knowledge of operations; a materiality assessment is not an extra requirement. Guidance should reinforce the Framework’s emphasis on the value creation lens and core report audience, namely providers of financial capital, as foundations for determining report content.
− There was strong support for any Practice Note guidance to be summarized in the FAQs. In other words, the FAQs should be a one-stop shop and entry point to further IIRC guidance.
− In terms of Advisory Group appointments, the Panel could serve as a sounding board for Terms of Reference, the selection process/criteria and specific appointments.
− There is much material already available (in particular the recent IFAC/IIRC project) and any guidance produced as a result of the Framework Implementation Review will be more about using different subject matters (financial position, ability to create value etc) within one report, linking it with stakeholder dialogue and its outcomes, role of strategy, role of decision-usefulness etc.

**Getting Started (Action 46)**

− It was widely agreed that the IIRC should produce the ‘official’ guidance on getting started; there may be opportunities to outsource certain elements of the guide.
− The IIRC should be cautious, from the standpoint of commercial sensitivities, about borrowing or replicating content from existing regional guidance on Integrated Reporting.
− The guide should recognize that there are different pathways to Framework adoption. The language should, therefore, seek to be descriptive and not normative. It should be clear that the guide has no authoritative status, which will allow for more relaxed language.
− Where feasible, the IIRC should consider web tools and apps to accompany static PDFs. One Panel member suggested that the IIRC build on others’ resources where possible. For example, one Panel member noted that EY has previously developed an online platform based on <IR> for smaller organizations, and pragmatic 7 steps of getting started,
integrated thinking and report for NEMACC (part of NBA/EUR). This might be something worth considering investigating further with a possible view to working with them.

- While some suggested a preparer focus should be paramount, the Getting Started guide should also recognize, and appeal to, other perspectives in an organization. Those directly involved in report preparation will have different needs from those who sit on the Board or executive team. With this in mind, the IIRC should consider appropriate delivery mechanisms and partnerships (e.g., disseminate to Board members via director institutes).
- The Getting Started section or guide for Boards should be succinct, address the importance of a Board sponsor and reference other related IIRC publications.
- Some members urged the IIRC to more strongly communicate the benefits of enhanced transparency through organizations’ adoption of a voluntary framework. Some organizations are still reluctant to disclose new or different information in their investor-oriented reports. Clear endorsement by national and international director institutes and investors would give companies and their directors the confidence to get started.

Use of narrative and ‘non-financial’ information by providers of financial capital (Action 42)

- IIRC staff introduced a paper on Action 42, which aims to strengthen and highlight investor demand for Integrated Reporting. By way of context, the IIRC referenced the launch of its Investor Statement at the September 2017 meeting of the Principles for Responsible Investing (PRI) in Berlin. A presentation by a group of investors at the Corporate Reporting Dialogue’s October 2017 meeting was also noted.
- The Panel shared insights into investment classes and styles, with one member noting the potential benefits of institutional investors, themselves, producing integrated reports. This would explain investors’ own role in the value creation chain and help guide the capital market through or past its systemic issues. The IIRC’s <IR> Pension Fund Network could be critical to this effort and, on this basis, ought to be grown.
- Interaction with and input from the investor community as the key target users was strongly encouraged. The Panel was cautioned to ensure the aims of any work on the use of non-financial information by investors are very specific, to prevent it becoming something far beyond the remit of the IIRC.
- Recognition, and description of different investor categories was also important, and in addition, the use of information and decision-making can be very geographical sensitive. It was noted A4S has already done some work on this.
- Some expressed concern that the management commentary and its regional equivalents are ten years behind corporate communication, in terms of the value creation lens and broader sustainable development.
- In providing guidance on the project proposal document, members:
  - Urged the IIRC to carefully distinguish between data and information, as casual word choice could undermine the objectives and benefits of Integrated Reporting.
  - Referenced other relevant projects, including the Dutch Central Bank project on the SDGs.

5. Ongoing discussion with others

This agenda item was deferred to the next meeting.
6. **<IR> Training Programme**
   - The IIRC provided an update on its <IR> Training Programme:
     - Global training partners joined the Programme almost a year ago and continue to deliver market-specific training on Integrated Reporting. As of October 2017, there were 12 training partners; approximately 100 courses have been offered around the world.
     - Quality remains an important aspect of the Training Programme. The IIRC collects feedback scores and is keen to continuously improve the quality of training offered.
     - Webinars are offered to training partners every six months; the Framework Panel is invited to present on those webinars.

7. **Corporate Reporting Dialogue (CRD)**
   Ian Mackintosh, CRD Chair, summarized the initiative and its members. He outlined the group’s 2017 efforts to support the Financial Stability Board’s Task Force on Climate-related Financial Disclosures. He also emphasized the CRD’s interest in improving the alignment of reporting standards and frameworks and environmental/social metrics. Finally, he referenced the group’s attention to boosting its communications profile and resource capacity.

   The Chairs of the <IR> Framework Panel and Corporate Reporting Dialogue agreed to maintain open lines of communication to reinforce collective goals.

8. **Any other business**
   - IIRC staff noted the forthcoming launch of the *International <IR> Framework Implementation Feedback Summary Report* at the IIRC’s 12 October 2017 Convention. Regular (e.g., quarterly) market updates are to be provided to ensure that progress and plans are transparent.
   - Members agreed that the Technical Programme should be a standing item at future meetings.
   - The Chair noted that the next meeting would mark Michael Nugent’s last as a member of the IIRC. The Framework Panel thanked Michael for his valuable contributions.
   - The IIRC’s Chief Executive Officer thanked the Panel for its work on behalf of the organization.

9. **Conclusions and next steps**
   The Chair thanked Panel members and Technical Advisors and reiterated his thanks to the IIRC Technical Team. The Chair noted the date of the next meeting and closed the session.