

## IIRC Framework Panel: Meeting of 5 December 2017

<b>Time</b>	12.00 pm – 2.00 pm (GMT)
<b>Members/TAs</b>	Erik Breen (Chair), Sarah Bostwick Stromski, Nancy Kamp-Roelands, David Loweth, Lothar Rieth, Roger Simnett, Jason Voss, Zubair Wadee
<b>IIRC</b>	Lisa French, Richard Howitt, Yvette Lange, Michael Nugent, Liz Prescott
<b>Apologies</b>	Laura Leka (TA for Stathis Gould), Yoichi Mori, Hugh Shields, Tom Roundell Greene
<b>Minutes</b>	Liz Prescott
<b>Agenda</b>	<ol style="list-style-type: none"> <li>1. Welcome and attendance</li> <li>2. Minutes of previous meeting and matters arising</li> <li>3. Ongoing discussion with others (carry-over from Oct meeting)</li> <li>4. Progress update: Ongoing discussion with others</li> <li>5. Progress update: Guidance outputs</li> <li>6. Progress update: Guidance proposals</li> <li>7. Progress update: Research proposals</li> <li>8. Technical programme</li> <li>9. Future meetings</li> <li>10. Any other business</li> <li>11. Conclusions and next steps</li> </ol>

### 1. Welcome and attendance

The Chair welcomed Panel members and noted apologies. The Chair noted a reordering of agenda items to accommodate speakers.

### 2. Minutes of previous meeting and matters arising

The Chair asked for confirmation of minutes of the 10 October 2017 meeting. The minutes were accepted without change.

### 3. Ongoing discussion with others

IIRC staff introduced the topic, which had been held over from the 10 October 2017 meeting. This body of work, which will advance select actions outlined in the IIRC's [Summary Report](#), will primarily include the Corporate Reporting Dialogue, although others may also be consulted. The Chair invited suggestions of other relevant bodies with whom the IIRC should liaise. Panel members raised the following suggestions:

- Investment Company Institute ([www.ici.org](http://www.ici.org))
- Council for Institutional Investors ([www.cii.org](http://www.cii.org))
- CFA Institute ([www.cfainstitute.org](http://www.cfainstitute.org))
- Global Network of Director Institutes ([www.gndi.weebly.com](http://www.gndi.weebly.com)) and national institutes of directors<sup>1</sup>
- AICPA and CIMA, bearing in mind their CGMA Briefing [Integrated thinking - The next step in Integrated Reporting](#)

The Panel recommended that outsourcing relationships and collaborations be tailored carefully according to the specific aspects of work.

<sup>1</sup> By virtue of changes to corporate governance codes and increased emphasis on Board strategies for long-term value creation

#### 4. Progress update: Ongoing discussion with others

**Multiple capital metrics.** Staff discussed progress on this aspect of the Technical Programme, noting that the matter was introduced at the Corporate Reporting Dialogue's 9 October 2017 meeting. Notably, a related Corporate Reporting Dialogue project – focusing on a relatively narrow subject area – is already underway by a sub-set of Dialogue participants.

**Materiality.** Staff noted an open IASB Exposure Draft *Definition of Material (Proposed amendments to IAS 1 and IAS 8)*, which seeks to clarify the definition of 'material' and align definitions used in the Conceptual Framework and the standards themselves. A Panel member confirmed these efforts are in relation to financial statement materiality. Panel members observed a possible challenge for those using traditional annual reports as the vehicle for Integrated Reporting. How does the company balance two approaches to materiality (i.e., one that maintains a financial statement lens versus one that focuses on longer-term value creation)? In terms of report content, which definition prevails? Panel members agreed that the Management Commentary, which the IASB plans to update, is the most appropriate link to Integrated Reporting.

Panel members urged the IIRC to more actively promote the Corporate Reporting Dialogue's *Statement of Common Principles of Materiality*, which explains the need for multiple definitions of materiality.

**Credibility and trust – audit and assurance.** IIRC staff provided a summary of related external developments, noting suggested actions in relation to each. Panel members suggested that the following remain on the IIRC's radar screen:

- Accountancy Europe's CORE & MORE initiative
- Accountancy Europe's publication on the [EU Directive on disclosure of non-financial and diversity information](#)
- Any further actions regarding the assurance of disclosures under the Non-financial Information Directive
- AICPA's guidance material on Sustainability Assurance over GHG

A Panel member's participation on a related IAASB task force was noted as a useful resource.

Panel members urged the IIRC to more effectively engage with governance institutes and reinforce other 'credibility enhancing mechanisms' such as:

- The Institute of Internal Auditors' [Three Lines of Defense Model](#)
- Principle 1 of [King IV – Report on Corporate Governance for South Africa 2016](#)

#### 5. Progress update: Guidance outputs

**Frequently Asked Questions (FAQs).** IIRC staff presented draft FAQs on *multiple capitals* and *materiality* and invited feedback. The Panel generally supported the tone, length and accuracy of answers, but encouraged staff to ensure a smooth transition from *introductory* to *advanced* questions. This should be true within individual sections and across the document as a whole. The format should include a list of questions that can be expanded. In reference to the question, 'How does the multiple capitals model align with stakeholder analysis used by some organizations?', the Panel urged the inclusion of material from the IIRC's Background Paper on Capitals. In the context of materiality, the Panel encouraged reference to the Corporate Reporting Dialogue's *Statement of Common Principles of Materiality*. The Panel proposed

including a question on the compatibility of other metrics-oriented frameworks with the International <IR> Framework. Finally, the Panel inquired about the feasibility of tracking the use of FAQs through interactive features.

*<IR> Examples Database.* IIRC staff relayed progress to date on a comprehensive database review. The Panel debated the merits of archiving old examples against a need to streamline the database for an ‘uncluttered’ experience. Some noted the utility of tracking companies’ reporting journey over time. A middle ground approach – featuring a simple entry point and plans for multi-year case studies – was considered. Panel members raised the possibility of interactive features (e.g., thumbs up/down to examples). Staff noted sensitivities associated with negative, publicly-visible ratings, which may offend and/or stifle reporting innovation. The Panel reinforced the public’s interest in a mix of company size in the database. Relatedly, the Panel encouraged transparency on the governance and selection of database content.

*Integration of feedback into <IR> Training Programme.* IIRC staff provided an update on the Training Programme and efforts to incorporate public feedback into that Programme. A panel member asked if training partners were present in each of the IIRC’s priority markets. Staff identified a gap in Japan, where there was much reporting activity, but currently no training partners.

## 6. Progress update: Guidance proposals

*Materiality.* The Panel encouraged the IIRC to monitor interest and uptake of the FAQs on materiality before initiating work on a Practice Note.

*Getting Started guide.* IIRC staff noted plans to refine this project’s proposal document.

## 7. Progress update: Research proposals

*Use of narrative and non-financial information by providers of financial capital.* The Panel noted a range of motivations related to investment style. Some investors rely primarily on narrative information as a risk-flagging or portfolio-screening mechanism. Others regard narrative disclosures more opportunistically, as valuable contextual information to identify investment prospects. IIRC staff committed to preparing a project proposal for the Panel’s next meeting.

## 8. Technical Programme

There was no discussion on this agenda item, which was included as a placeholder only - the Technical Programme did not require review, as it was only launched in October 2017.

## 9. Future meetings

Two changes were required to the proposed dates for future meetings. In particular, the meetings originally scheduled for Tue 26 Jun and Tue 4 Sep were amended to Tue 19 Jun and Tue 21 Aug, respectively. Calendar invitations have been resent to reflect new meeting dates.

## 10. Any other business

Non-attendance of a Panel member was noted for follow-up. The Panel encouraged IIRC staff to seek additional support between meetings, as necessary.

## 11. Conclusions and next steps

The Chair thanked Panel members and Technical Advisors and reiterated his thanks to IIRC staff. The Chair noted the date of the next meeting as Tue 20 February 2018 and closed the session.