

## <IR> Framework Panel: Meeting of 2 October 2018

<b>Time</b>	12.00 pm – 3.00 pm (GMT)
<b>Members/TAs</b>	Erik Breen (Chair), Jean-Luc Barlet, Sarah Bostwick Stromski, Nancy Kamp-Roelands, Yoichi Mori, Rodrigo Morais, Tom Roundell-Greene, Hugh Shields, Jason Voss, Zubair Wadee
<b>IIRC</b>	Lisa French, Richard Howitt, Laura Leka, Liz Prescott
<b>Apologies</b>	Yvette Lange, Lothar Rieth
<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. Progress update: Guidance outputs</li><li>4. Progress update: Guidance outputs</li><li>5. Technical Programme</li><li>6. Any other business</li><li>7. Conclusions and next steps</li></ol>

### 1. Welcome and attendance

The Chair welcomed Panel members in attendance in Paris and those joining via teleconference, and noted apologies.

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

Minutes of the 21 August 2018 meeting were distributed for comment on 3 September 2018. Silence was taken as agreement, and the minutes were accepted without change.

### 3. Progress update: Guidance – Project proposals

*3a. Integrated thinking.* IIRC staff introduced a project proposal to clarify the International <IR> Framework's interpretation of, and improve the market's application of, the concept of integrated thinking. Key discussions points were as follows:

- Panel members agreed that case studies (sourced from the IIRC's special interest group on Integrated Thinking & Strategy) and accompanying guidance is an appropriate approach. The IASB's [Better Communication in Financial Reporting](#) and work of the [Dutch Sustainable Growth Coalition](#) were cited as useful references to ensure the effectiveness of case studies.
- It was noted that the topic of integrated thinking is broad, requiring explicit description of the project scope so boundaries are clear. The Panel suggested narrowing the project scope and developing targeted questions for the special interest group to ensure a more useful output.
- The accompanying guidance should bring the capitals concept to the fore. Panel members also noted the important role of governance; the way in which capitals are reflected in an organization's governance policies and procedures will impact strategy, management systems, and internal and external reporting. Panel members also noted the [COSO Framework](#), and its embedding of governance into the control environment.
- An opportunity to reflect company responses to the EU Non-Financial Directive was raised.
- The issue of naming versus anonymizing case study companies was debated in the context of creating a more enduring output. Citing blue chip companies may garner more interest in the output; an alternative might be to name participating companies in the foreword or acknowledgements, but leave case studies generic.

## ACTIONS:

- IIRC staff will update Panel members at the next meeting on:
  - Rigour around what's *in* versus *out* of scope when transferring case studies over to guidance
  - Clear 'rules' and rationale for how case studies will be treated in the guidance (including anonymity, length, tone)
  - Approach to marrying theory and practice (i.e., weaving Framework concepts/intent through the real-life examples).

**3b. Business model reporting by conglomerates.** IIRC staff introduced the project, which will aid the understanding and communication of material constituent operations and their associated business models, and the connections between them. The following points were raised in the ensuing discussion:

- Panel members agreed with the project's scope and approach, but cautioned that some organizations struggle to distinguish between the *business model* and *value creation process*, and how the two relate. For example, do business model disclosures relate to the parent company only? Such bandwidth considerations should be addressed.
- The proposal should include a tighter definition of 'conglomerate'. Moreover, the output should prioritize the higher focus of the conglomerate, rather than its individual entities.
- The decision on case studies (i.e., entity-specific versus generic) also applies to this project. It was proposed that the output feature generic cases, with real-life examples in the <IR> Examples Database. Case studies might also provide insight into how the company developed its business models.
- The importance of an investor perspective was raised, as was the need to encourage disclosures on how individual business models contribute to the conglomerate's overall value creation process.
- The differing intentions of business models was noted. For some, the business model is a direct offshoot of the organization's mission and purpose.

**ACTION:** The IIRC will present a revised project proposal at an upcoming Framework Panel meeting.

## 4. Progress update: Guidance – Outputs

**4a. Multiple Capitals Practice Note.** IIRC staff presented a draft Practice Note, after which the Chair called for responses to questions posed in the cover sheet.

- Panel members agreed that an output length of roughly ten pages is appropriate.
- The issue of resource *use* versus *ownership* – and avoiding double-counting – was raised.
- Emphasis on Paragraph 4.56 of the International <IR> Framework, which addresses trade-offs and interdependencies between the capitals, was encouraged.
- The importance of *stock liquidity* to asset owners was raised; the question of where this attribute fits within the capitals construct was posed. Panel members acknowledged that if stock liquidity is truly material to a particular business, it will be detected naturally through the materiality determination process.
- The prevalence of the capitals throughout the <IR> Framework (i.e., in Fundamental Concepts, Guiding Principles and Content Elements) was noted. Panel members speculated that the translation into concrete capitals-based disclosures may still be unclear to some. As a basis for further guidance, the Practice Note might point to what is *missing* from current disclosures.

- Issue 4, which addresses trade-offs and interdependencies, should show that interrelationships can be positive or negative; illustrations of synergies or positive reinforcement should balance examples of negative trade-offs. The section title should also reflect this balance.
- The Panel encouraged continued refinement of Issue 6 of the draft Practice Note. The sample disclosures are useful, but could benefit from further attention to the various *phases* of their stocks and flows (i.e., inputs, consumption via business activities, outputs and outcomes). Preparers should be urged to look beyond outcomes alone to consider, and possibly measure, outcomes.
- Panel members saw an opportunity to address future focus or outlook considerations, with links to key performance indicators. Transparency about future plans and expectations, including trade-offs between capitals, was encouraged.

**ACTION:** Specific editorial comments will be emailed to IIRC staff.

**4b. Getting Started Guide.** Following a presentation on the second draft of the Guide, Panel members offered the following feedback:

- Inclusion of the ‘pathways to integrated reporting’ section was well received.
- The sample three-year plan should include Year 0, which would include key preparatory steps for those moving towards integrated reporting (e.g., securing buy-in from the Board and management and identifying an appropriate pathway).
- The ‘elimination of silos’ wording in the critical success factors section should be amended.
- Stage 6 should address the benefits of integrated reporting, as well as considerations for continuous improvement in report preparation and presentation.
- One Panel member urged IIRC staff to consider the *Core and More* initiative and, in particular, the potential influence of that initiative on organizations’ path to integrated reporting.
- The IIRC should consider how the Guide could be most helpful to those not already on the integrated reporting journey. It might also consider how a video overlay could enhance the Guide.

## 5. Technical Programme

An advance copy of the IIRC’s [2018 Progress Report](#) was presented. Panel members proposed that the introduction be amended to reflect that the 2018 Technical Programme is on track.

The 2019 Technical Programme, which picks up on the detailed work performed in 2018, was tabled and agreed. Panel members also agreed that quarterly meetings would be appropriate for 2019.

## 6. Any other business

**Governance matters.** There were no updates on recruitment of suitable candidates to the Panel.

### Conclusions and next steps

The Chair thanked Panel members and IIRC staff for their comments and attendance and closed the session.

The date of the next meeting is **Tue 4 December 2018**.