



International Integrated Reporting Committee

Q&A for Steering Committee members

1. What is the underlying issue we face?

The over-consumption of finite natural resources coupled with the very real risk of catastrophic climate change are possibly the greatest challenges facing the world. An effective response to these challenges will require deep-seated changes to our current economic model. Information currently required under accounting standards and listing rules does not fully reflect material environmental and social factors, such as climate change, resource use or human rights, despite the fundamental impact that these factors have on an assessment of both the current and future performance of an organization and its contribution to the creation of a sustainable economy. Where organizations disclose this information, it is seldom presented in a manner which is connected with strategic direction and financial performance, assists comparison between businesses and years or makes clear risks and opportunities. A move to integrated reporting will be a vital step for all organizations to meet the challenges of the sustainability revolution.

2. What is the purpose of the IIRC?

The IIRC is being created to respond to this need for a concise, clear, comprehensive and comparable integrated reporting framework structured around the organization's strategic objectives, its governance and business model and integrating both material financial and non-financial information. The objectives for an integrated reporting framework are to:

- a) support the information needs of long-term investors, by showing the broader and longer-term consequences of decision-making;
- b) reflect the interconnections between environmental, social, governance and financial factors in decisions that affect long-term performance and condition, making clear the link between sustainability and economic value;
- c) provide the necessary framework for environmental and social factors to be taken into account systematically in reporting and decision-making;
- d) rebalance performance metrics away from an undue emphasis on short-term financial performance; and
- e) bring reporting closer to the information used by management to run the business on a day-to-day basis.

3. What is the role of the IIRC?

At present a range of standard-setters and regulatory bodies are responsible for individual elements of reporting. No single body has the oversight or authority to bring together these different elements that are essential to the presentation of an integrated picture of an organization and the impact of environmental and social factors on its performance. In addition, globalisation means that an accounting and reporting framework needs to be developed on an international basis. At present, there is a risk that, as individual regulators respond to the risks faced, multiple standards will emerge.

The role of the IIRC is to:

- a) raise awareness of this issue and develop a consensus among governments, listing authorities, business, investors, accounting bodies and standard setters for the best way to address it;
- b) develop an overarching integrated reporting framework setting out the scope of integrated reporting and its key components;
- c) identify priority areas where additional work is needed and provide a plan for development;
- d) consider whether standards in this area should be voluntary or mandatory and facilitate collaboration between standard-setters and convergence in the standards needed to underpin integrated reporting; and
- e) promote the adoption of integrated reporting by relevant regulators and report preparers.

4. Who is behind this?

In December 2009, His Royal Highness The Prince of Wales convened a high level meeting of investors, standard setters, companies, accounting bodies and UN representatives. At the meeting it was agreed that the Prince's Accounting for Sustainability and the Global Reporting Initiative should work together with other organizations to establish an international body to oversee the creation of a generally accepted integrated reporting framework that would connect financial and sustainability reporting.

5. How has the IIRC been established?

At the meeting in December 2009, it was recommended that a Steering Committee and a Working Group be formed to establish the IIRC. The responsibilities of the Working Group include drafting proposals for the governance arrangements and developing proposals relating to the scope and content of integrated reporting. The Steering Committee provide expert and informed guidance to the Working Group and consider and adopt, as appropriate, the proposals drawn up by the Working Group.

6. Who are the members of the Steering Committee and Working Group?

The IIRC brings together a powerful cross section of representatives from the corporate, accounting, securities, regulatory, and standard-setting sectors. The Steering Committee is chaired by Sir Michael Peat, Principal Private Secretary to TRH The Prince of Wales and the Duchess of Cornwall, with Professor Mervyn King, Chairman, King Committee on Corporate Governance and Chairman, Global Reporting Initiative as Deputy Chairman. The Working Group has co-chairmen: Paul Druckman, A4S Executive Board Chairman, and Ian Ball, Chief Executive Officer, International Federation of Accountants. Membership will comprise international representation from the following stakeholder groups: companies, investors, regulators, standard-setters, intergovernmental organizations, non-governmental organizations, the accounting profession, civil society and academia. Members will sit on the Groups as representatives of their organizations in addition to bringing individual expertise.

A full list of the members of each group is attached in Appendix 1.

7. How will the IIRC engage and communicate with stakeholders? If I am not a member how will my voice be heard?

The successful development and adoption of integrated reporting will be reliant on the IIRC's ability to engage key stakeholder groups. The members of the Steering Committee will have a vital role to play in this engagement, supported by the Working Group and Secretariat. The Secretariat will be run jointly by A4S and GRI.

The following engagement and communication mechanisms will be used:

- i) one-to-one engagement (G20 governments, standard-setters and regulators);
- ii) appointment of 'ambassadors' to engage key stakeholders on behalf of the IIRC coordinated through a monthly briefing paper to all stakeholders;
- iii) five regional roundtables to be held in Africa, Asia, Europe, North America and South America (all stakeholders);
- iv) consultation on key elements of proposals (open to all, but targeted at accounting community, investors and business);
- v) presentations at key events including GRI conference, Sustainable Stock Exchanges conference, World Congress of Accountants, A4S Forum (all stakeholders);
- vi) on-line communications:
 - (a) creation of an IIRC website (all stakeholders)
 - (b) IFAC-A4S community website discussions (all stakeholders)
 - (c) common text for inclusion on Steering Committee and Working Group member websites (all stakeholders)
 - (d) monthly/bi-monthly news updates to be distributed via Steering Committee and Working Group news channels (all stakeholders); and

vii) press articles (all stakeholders).

8. What is in the workplan of the IIRC? and what is the timescale for outputs?

The work plan has three main components:

- (1) proposed approach for developing proposals for an integrated reporting framework;
- (2) proposed approach to raise awareness of the need for integrated reporting and develop a consensus on the response required; and
- (3) proposed approach for establishing a formal IIRC or developing a hand-over strategy to pass on the work of the more informal IIRC to a newly created or existing standard-setting body.

The Working Group aim to present initial proposals for the framework by the end of this year for review by the Steering Committee in 2011. The integrated reporting framework will include:

- i) key principles setting out the scope and content to be covered by an integrated report;
- ii) criteria for the determination of material items for inclusion; and
- iii) form of reporting (e.g. integration into 'mainstream' report, prescribed or flexible reporting format, use of technology e.g. XBRL).

9. Given the competitive nature of accounting bodies, will they really collaborate?

The bodies are collaborating already. It was agreed at the roundtable meetings last year that accountability for the oversight and development of integrated reporting should rest with a single body. The work of the IIRC is shared across a range of stakeholder groups with the recognition that the pooling of knowledge and expertise is essential for the IIRC to meet its aims and objectives.

10. What legitimacy will the IIRC have?

Each member will be actively involved in either setting or influencing their local regulatory bodies in this process as well as providing representation on an international basis. The IIRC, through its engagement strategy will aim to achieve legitimacy by means of recognition and endorsement by relevant governmental and international bodies.

11. Why yet another body?

No single body has the oversight or authority to bring together the different elements of reporting that are essential to the presentation of an integrated

picture of an organization and the impact of environmental and social factors on its performance. In addition, globalisation means that an accounting and reporting framework needs to be developed on an international basis. At present, there is a risk that as individual regulators respond to the risks faced multiple standards will emerge.

12. What are the key attributes of the Integrated Reporting Framework?

- provides strategic information to determine whether or not to invest
- uses a principles based approach
- can be flexed by industry
- balance of financial and non-financial information
- accounts for risks and opportunities
- reflects the business model and resilience
- considers the wider value chain and not just the company
- reflects how the company is run internally
- reduces the volume of information being reported

APPENDIX 1

IIRC Steering Committee

List of members

- Sir Michael Peat, Principal Private Secretary to TRH The Prince of Wales and The Duchess of Cornwall (Chairman)
- Professor Mervyn King, Chairman, King Committee on Corporate Governance and Chairman, Global Reporting Initiative (Deputy Chairman)
- Helen Brand, Chief Executive, ACCA
- Robert Bunting, President, International Federation of Accountants
- Professor Nelson Carvalho, Universidade de São Paulo, Brazil and Chairman, 25th session of UNCTAD's ISAR
- Paul Clements-Hunt, Head of Unit, UNEP Finance Initiative
- Jane Diplock, Chairperson, Executive Committee of the International Organization of Securities Commissions
- Robert Eccles, Professor of Management Practice, Harvard Business School
- John Elkington, Founding Partner & Executive Chairman, Volans
- Tim Flynn, Chairman, KPMG International
- Robert H. Herz, Chairman, Financial Accounting Standards Board
- Ishat Hussain, Chief Financial Officer, Tata
- Michael Izza, ICAEW Chief Executive, Global Accounting Alliance
- Georg Kell, Executive Director, UN Global Compact
- Professor Angelien Kemna, Chief Investment Officer, APG
- Thomas Kusterer, EDF Energy Chief Financial Officer, EDF Group
- Huguette Labelle, Chair, Transparency International
- Dennis Nally, Chairman, PricewaterhouseCoopers International Limited
- Jeremy Newman, Chief Executive Officer, BDO International
- Edward Nusbaum, Chief Executive Officer, Grant Thornton International
- David Nussbaum, WWF-UK Chief Executive, WWF International
- Roberto Pedote, Executive Vice President and Finance, Natura
- Russell Picot, Group Chief Accounting Officer, HSBC
- Jim Quigley, Chief Executive Officer, Deloitte Touche Tohmatsu
- Atsushi Saito, President & CEO, Tokyo Stock Exchange Group, Inc
- Richard Samans, Managing Director, WEF and Chairman, Climate Disclosure Standards Board
- Jim Singh, Chief Financial Officer, Nestle
- Björn Stigson, President, World Business Council for Sustainable Development
- Charles Tilley, Chief Executive, CIMA
- Jim Turley, Chairman and Chief Executive Officer, Ernst & Young
- Sir David Tweedie, Chairman, International Accounting Standards Board
- Doug Webb, 100 Group of Finance Directors
- Christy Wood, Chair, International Corporate Governance Network

IIRC Working Group

List of members

- Paul Druckman, Executive Board Chairman, The Prince's Accounting for Sustainability Project (Co-Chairman)
- Ian Ball, Chief Executive, International Federation of Accountants (Co-Chairman)
- Nelmara Arbex, Deputy Chief Executive, Global Reporting Initiative
- Frank Curtiss, Head of Corporate Governance, Railpen and Chair, International Corporate Governance Network Non-Financial Reporting Committee
- Jessica Fries, Director, The Prince's Accounting for Sustainability Project (Secretary)
- James Gifford, Executive Director, United Nations Principles for Responsible Investment
- Alan Knight, Associate Senior Partner, AccountAbility
- Mitsuru Komiyama, Executive Board, The Japanese Institute of Certified Public Accountants
- Bob Laux, Director, Accounting and Reporting, Microsoft
- Ernst Ligteringen, Chief Executive, Global Reporting Initiative
- Steve Maslin, Partner, Grant Thornton
- Dr Anthony Miller, Corporate Transparency and Accountability Programme, UNCTAD
- Dr Jeanne Ng, Director - Group Environmental Affairs, CLP Holdings Limited
- David Phillips, Partner, PricewaterhouseCoopers
- Janet Ranganathan, Vice President for Science and Research, WRI
- Richard Reid, Partner, KPMG
- Susanne Stormer, Vice President, Global Triple Bottom Line Management, Novo Nordisk
- Alan Teixeira, Director of Technical Activities, International Accounting Standards Board
- Graham Terry, Head: Office Of The Executive President, South African Institute of Chartered Accountants
- Dr Steve Waygood, Head of Sustainability Research and Engagement, Aviva