

<IR> Framework Revision: Summary of U.S. Regional Focus Group Discussion

Notes:

- Session convened by the Integrated Reporting U.S. Community
- Session held on Zoom on June 24, 2020
- Presenters were Lisa French, Sarah Bostwick and Jason Voss
- Moderator was Mary Adams
- Poll results and discussion comments provided for each question (comments are transcript of oral conversation)
- Chat was more free-flowing and is provided in total in Appendix A

Statement of responsibility for an integrated report

1. Do the adjustments to paragraph 1.20 simplify the statement of responsibility effectively?

Poll

Yes	64%
No	5%
Neutral	32%

Comments

Paul: I particularly welcome the addition after the comma “or the extent to which.” I think it's very pragmatic that we recognize that most companies certainly in the early stages when they first start to undertake integrated reporting, that they're not going to be necessarily in full compliance with the IR Framework. That is all.

Brad: I was curious, Lisa, if anything came up with the use of the word opinion or conclusion, I know that in the US market, at least folks get sensitive when they're around accountants and the word opinion comes up. I didn't know if that did come up or it allows for any misinterpretation or it was just more a curiosity question.

Lisa: That's interesting. No, actually, literally this is the first time it's ever been raised either to me or it certainly wasn't raised in the 30-day consultation. I hear where you're coming from, but no, it's never been raised.

Participant 1: Okay, thanks.

Julia Robbins: Oh, sorry, Mary, it's Julia Robbins here from Vancity, the interloping Canadian in the group. Thanks for letting me.

Mary: Sorry, I wasn't very politically correct I should have [crosstalk].

Julia: Well, no, it says the US group, but this time zone works out much better than the other one did. The question about P3 where it says, "this statement is enhanced by supplementary disclosures." When I see something like that, it seems very open. I don't know, is this required? Is this a nice to have, if there could be a bit more clarity around that, that would be helpful because I agree that it would be enhanced by it, but to what extent, like how detailed is necessary and is it required or not?

Lisa: Yes, that is a very good question, and again, we have some framework panel representatives here on the call as well. I'm happy for them to chime in, but in the first instance, the requirement remains the statement, the enhancement, the supplementary, the voluntary piece is, hey, you can substantiate that. You can supplement that you can provide proof points for that statement by sharing the process-oriented information. We did need to address those instances like I said, where there may, depending on where you are in the world or what circumstances the particular organization faces, they may simply not be able to provide the statement.

I've not ever seen such a scenario, but it may be that it's in conflict with other requirements, or it may be, as I say, if they're using multiple standards and frameworks, it does become a bit confusing how many different statements are you offering and how many parties are getting involved and it does get a bit confusing. In those instances, we have shifted. You'll see on the right-hand side, where legal or regulatory requirements preclude a statement of responsibility for those charged with governance, this should be clearly stated why you're not providing the statement in such cases, process-related information should be provided.

The should, kick it into a higher gear, and almost become a requirement for those who can't do part A, please do part B. For those who are offering part A, i.e the statement, you can still improve on that and you can substantiate that statement by sharing the process-oriented information. You're right, it is open. It's not required if you're willing to do the statement piece, it's not required, but it's encouraged. For those who can't provide the statement, it really is kicked up when you ought to be providing the process-oriented information. If you can't do that first bit, please do the second bit. Was that clear?

Julia: Your explanation is clear, but I'm not sure that it is still in the wording as is presented, is the really clear because I didn't read it as you did. It's sort of either like if we have a statement, do I need to have other stuff or that other stuff is optional and it's very clear at the bottom. Yes, if you don't have a statement, say these other things, but in the case of having a statement, am I also expected to do a description of the process? That just doesn't come clear on the exact wording. I don't have a suggestion for changing the wording, but your explanation was great.

2. Does the framing of process disclosures meet the goals of promoting accountability and integrity while still providing flexibility?

Poll

Yes	50%
No	5%
Neutral	45%

Comments - No comments

Process related disclosures

3. Does the Consultation Draft strike an appropriate balance between maintaining a principles-based approach and usefully informing preparer considerations?

Poll

Yes	55%
No	5%
Neutral	40%

Comments - No comments

Those charged with governance

4. Does the Glossary sufficiently clarify the potential inclusion of management personnel in the scope of those charged with governance?

Poll

Yes	89%
No	0%
Neutral	11%

Comments

Brad: That was me. A two-part question, Lisa. The first one is a little bit-- I'm not sure you can answer this, but it's more a question if it came up in any of the comment letters, but we talked about overseeing the integrated reporting process. Integrated thinking is not a process. I wouldn't call it that, but did that concept come up in terms of reporting? I view reporting as one action under the broader umbrella of integrated thinking and integrated reports are an output.

I guess I'm trying to relate, is there a difference in the level and who is responsible for overseeing or charged with oversight of the integrated thinking across the enterprise if it truly is an integrated enterprise? That was my first one. Then my second one was, was it intentional-- I know you have it in the parentheses, but intentional to not insert executive before management after the word include?

Lisa: That's a good question. Let me go in reverse order here. Steph, at least you're going to be able to help me with numbers here, is it IAS 4126? We have borrowed the definition from existing auditing standards. We have consciously maintained consistency with that. That was easy to answer. The first one now, it didn't come up about is there a statement of responsibility for integrated thinking. This is purely about the reporting. You're right, both need attention and oversight and appropriate mechanisms and processes.

When you say one is the output of the other, that's true, but I also do see it as being actually quite mutually reinforcing. We do have companies that dive in who, whatever we want to call it, integrated thinking systems, thinking effective management, whatever we want to call it. Getting your foot in and starting the reporting process now begins to raise, "Oh, hey, we haven't thought of that cause and effect. I think it is a mutually reinforcing point, but you're quite right. Looking at it from one side it is the output of the thinking process and quality management. I think they are two quite different things though and too much to handle within a reporting framework, but I hear your point.

Brad: Thank you, Lisa.

Mary: Thanks, Brad. Anyone else?

Helle Jorgensen: It's Helle Bank Jorgensen, here if I may. Thank you so much and from Canada, I should say as well. I'm thinking in terms of working with board of directors and seeing the information that they get also to make their decisions. Not a lot of that information is actually based on management information systems that are integrated. How do you build that into that actually when I sign off and say I looked at this, that I have actually had the right information to make that I have the oversight on this process?

Lisa: Mary, you'll forgive me, if we could go back a slide. Helle, I believe that that judgment is made-- From looking at P4, for example, we are talking about the-- Boy, the comment box is flying all over the place. I can't see it. The related systems. I would actually see as being the information systems, the management systems, the sources of information, how information is used, interpreted. I actually see all of that being part and parcel with the process of preparing the report. I think that's where the valuable stuff is. Now you're getting that by looking at the processes, as a reader of an integrated

report, you're getting a window into how they're managing their business. I don't know if I actually answered your question but I talked around your question if nothing else.

Helle: It is all good, but I know also from A4S so I just reviewed a document we had there in terms of the management information system, and I have to admit that some of it was like, this is something that we talked about 25 years ago, but apparently we're still talking about so it's like how do we match those two but thanks.

Lisa: What I am taking from that I do think that there is an opportunity to offer some related and deeper and more fulsome guidance here. There are limitations on how big this framework becomes, and how deeply we get into it but I do see an opportunity either through FAQs, frequently asked questions, or supplementary guidance to drill down a bit deeper.

Mary: Jason, did you have a quick comment?

Jason: Yes, one of the, I said in the comment section but I will reiterate it for those who didn't see it, one of the discussions we had in the framework panel, and it specifically was about P3 and P4 here. That material we were looking for. I delivered reports to a board, I've also received in reports as a board member as well as a manager. The users of these reports don't have a lot of transparency into the preparation of all these things and managers sometimes are not the best people to answer the question.

We're trying to capture here in a very flexible way, whatever discussions are taking place internally at whatever level to generate the information integrated report to somehow capture that so that as users of these reports, say, an investment group could evaluate the quality of that process rather than just looking at the Yes, we signed off [unintelligible 00:42:23] should be statements are represented in each report. This allows them the ability to evaluate just how thorough they've been in [unintelligible 00:42:31].

5. Do paragraphs 1.21 and 1.22 sufficiently recognize variations in governance models?

Poll

Yes	90%
No	0%
Neutral	10%

Comments

Shari Littan: Hi, Shari Littan from IMA and not speaking on behalf of the organization or its members. My only point is I'm not certain that this language is necessary. I'm not certain that that's really highly material comment that I'm making. It just seems to me that some of the questions that are arising in this section is in the purview and responsibility of corporate counsel and they're probably going a lot to say on who signs off on what statements. A lot of this as a practical matter may end up being simply boilerplate as we see in a lot of external reporting. Not a strong opinion, just an observation for the most part. Thanks.

Business model considerations

6. Does paragraph 4.19 sufficiently differentiate outputs from outcomes?

Poll

Yes	79%
No	11%
Neutral	11%

Comments

Brad: It is Brad, I had a comment. I'm sorry, I think I recall you saying unless this is coming up in a subsequent slide, that outcomes and impacts would be just way more clearly define how impacts are part of the outcomes. I forgot the wording that you said or how they are shown to be thought of within that sphere to differentiate them from outputs and I guess-- I'm not sure that I see impact explicitly described here. The other part, I guess, that I'm having a little bit of trouble with is when in the example, positive outcomes include connected communities, et cetera.

I guess the hard part for that automotive manufacturer is to be able to say that that outcome was directly or solely attributed to that. I know you're not saying it solely is but I think we need to recognize that there are a number of factors that could contribute to the outcomes that are shown as examples, and that the company producing this particular integrated report is more than likely not the sole responsibility for that outcome. Therefore, it makes it much more difficult to measure.

Mary: I'll just interject, Sarah, that we do have a question coming up about impact. I'll let you talk about the connectivity maybe.

Sarah: That's a good point, Brad. Thanks for bringing that up.

Bill: Hi, this is Bill Baue from [unintelligible 00:57:02] and I have a piggyback on that one. I'm up two minds here. I think in some ways outcomes gets away from the impacts question, but I put in the chat box that we can't really avoid the fact that the market or our field or fields right now are grappling with this question of impacts. I think the technical definition of what they're doing might be called a clusterfuck. Regardless, that's where we're at. Sorry, I couldn't resist.

You've got the impact management project, you've got impact valuation, et cetera. I wonder, this could be a very elegant way to resolve that or it could be sidestepping and kicking the can down the road, so to speak. I think that it may make sense to actually delve in here.

I would also piggyback on Brad's question. The whole problem with impact as it's defined is this question of attribution. I think that you do have to dive into that and in our work at [unintelligible 00:58:23], we are mostly interested in impact vis-a-vis sustainability thresholds. The allocation question whether you call it allocation, attribution, what have you, is you can't whitewash that issue away. I guess I'm not necessarily against the outcome language per say, but it does seem like it is moving away. I know you're going to address this next time. I'll see what you have to say in the next slide.

William: I think I am the third question. This is Bill Russell, from Co2logic, but I noticed about the preamble that you talked about it as a multi capital version of the analysis and yet, almost none of the reports I look at actually address the multi capital accounting side of their report. I think that's going to make the ability to have distinguishable outcomes that can somehow interconnect with the multi capital accounting very difficult.

I also think that I just haven't seen sufficient maturity in the multi capital presentation, that I think that would allow me to feel like these outcomes would be accountable, if you will. I think that we might be

in a stage of experimenting with the multi capital measurements. I have followed Bill's work with the thresholds. Again, I think it's the right trajectory of the accounting. I just don't know that the practice is mature enough at this point.

Brad: There's one other aspect to this, the positive and negative I was thinking about. Is someone going to be responsible at some point for showing how those net out? One of the negatives an example is fossil fuel depletion, but would they be responsible for/or someone else, I guess looking at the net fossil fuel depletion, because others in the community maybe trying to push that to limit the fossil fuel depletion through other activities. What obligation is it on that report preparer to at least address or recognize that they may, in fact, be driving down fossil fuels, but there are others or perhaps another division of that organization is working to replenish or at least compensate for that.

Bill's point about attribution I think is a complex one because short of having bottomless pockets and budgets, how are companies going to be able to actually measure the attributable impact to them?

Lisa: Can I just offer a few quickie responses to all the questions I've heard? Brad, number one that question this bit is not the bit that's trying to solve the problem where the mapping between outcomes and impact, so that's coming up. Spoiler alert. What this is trying to do, and now it gets into the next phase of all of what you have all just said. If I listen to you, you've all thought about this very clearly, and you've thought about it deeply. I assure you most companies are not where your thinking is. They will say, "Hey our outcomes is-- Well, we make cars." "Okay, let's go further." "Well, we made a million cars." That's as far as it goes.

We're trying to encourage at the very basement level. "Yes, but what's the, so what of your cars?" Admittedly, this is simple, but that's by design. [chuckles] I think again, to get to the depth of what you're talking about, thresholds, all of it, attribution, externalities, direct, indirect, all of that and needs a different mechanism to explain again, whether it's guidance, whether it's case studies, examples, but to keep it short and sweet and simple, Shari, I noticed you said this is extremely confusing. This is just a three-sentence example. Could you imagine if we just talked about what all these guys had just been talking about right here? [chuckles]

I think we have to find that right balance of conceptually getting those points across and then adding more fulsome guidance elsewhere. That's just my opinion.

Mary: Great. Thank you. Anybody else? Or Jason, were you going to--

Jason: Yes, I was just going to briefly say that one of the dynamic tensions that we're trying to manage on the framework panel is we want as many people or as many organizations as possible to start issuing integrated reports. One of the filters for that is will somebody, if they're forced to describe these things in tremendous detail, will that turn them off to the whole process altogether? I'm just throwing that out there because it's a dynamic dance, and I think it's different for every perspective, preparer of an integrated report.

7. Does Figure 2 effectively distinguish outputs from outcomes and link outcomes to value creation, preservation or erosion?

Poll

Yes	44%
No	19%
Neutral	38%

Comments

Bill: Yes. Thank you, Mary. One, just as a preface, I want to contextualize this notion that, when we get into the capitals and impact and outcome issues, that this is confusing and complex. While I agree, and I have sympathy for that, we also have an economy where we've got mortgage-backed securities and quantitative have easing and very complex issues that we're expected to understand. Those are the very issues that have caused the near collapse of our economy and that's what we're trying to address through integrated reporting is avoiding the kind of collapses that we're actually experiencing around us.

I guess I have some sympathy, but also, yes, we don't really have a choice but to wrap our heads around this kind of complexity. There's my editorial comment. On this particular issue, I'll just reiterate the idea that we may not be able to avoid the intermediary step of impact between outputs and outcomes. Ultimately, outcomes is about what happens outside or primarily outside of the the line there, so I like how it is suggesting that it's partly internal and partly external.

I guess the one thing that I would suggest consideration of or at least this is the approach that we take at R3.O is embracing the notion of system value, which is essentially that value creation is not simply about what value is created for the organization and its stakeholders but rather the ability of the organization to create value in ways that does not destroy value to the point of unsustainability, and even further to the point of systemic collapses.

I think it's uncontroversial that we're experiencing forms of systemic collapse right now that we very much need to shift around from. That would be my suggestion and I am glad to engage specifically on this issue around that. Thank you.

Mary: Thanks, Bill. I'm seeing that this could be an interesting topic for our program someday. We have two more questions to deal with, but I think there was one other person that wanted to comment. All right. I'm going to keep us moving, but hopefully in the spirit of keeping things--

Lisa: I'll quickly dive in here. Sarah mentioned that we had looked at a number of integrated reports back in 2016, randomly selected integrated reports but we found that in a quarter of cases, negative outcomes were overlooked. Probably not surprising to anyone on the call right now, but negative outcomes were overlooked, positive results were amplified, and promotional language really put cast outcomes in a much more favorable light.

In response, the consultation draft does is it now addresses that inherent balance in the term value creation. We talk about it all the time. There's this sort of silent footnote, actually it is footnoted twice in the framework, but the fact that we use in conversation to term value creation, there's a bit of an inherent bias, it's all about the positive value being created.

We saw a need to remind framework users more frequently that there's a potential here for value, either maintenance, preservation, or erosion and so that's what this slide is looking at.

It is introducing in more more frequently in the first instance, but also more strategically, reminders here that we're not just talking about value creation, but rather value creation preservation or erosion. That leads to the question of, have we got it right here, is making that simple adjustment a good step toward encouraging more balanced reporting outcomes?

8. Does the final sentence in paragraph 4.19 sufficiently encourage evidence-based reporting of outcomes?

Poll

Yes	44%
No	28%
Neutral	28%

Comments

Shari: My comments on simply-- I guess it really relates to the other points on this particular. I'm not sure how this paragraph follows from the paragraphs before it. It seems a little non-sequitur and I just find, as I mentioned in my comments, that I deal with a lot of local mainstream accounting people. They are first learning this area and to get on board. I'm not sure if that last paragraph follows from the earliest text, which again, I find would be quite confusing for people approaching this area for the first time.

Alan: Yes. Nothing too substantive, but people always tiptoe around things even when it just comes down to one word. I think it's clear and I think all of us in this meeting can understand it, but if you don't use the words, evidence, or data, somewhere in that language, some people may construe that as not understandable enough for them. Maybe using the word evidence or data somewhere might be a bit more specific.

Tim: Mary, this is Tim Christen. If I could add a comment, I'm with Baker Tilly. I'm an IRC council member, on behalf of the AICPA. If I didn't know, we were talking about imbalance, I would have no idea that a sentence we're talking about was about imbalance. I just want to make sure we're answering the right question. Because I don't feel like this is going to correct any imbalance among preparers.

Lisa: I like that comment. I think that we do have to smack people across the head a little bit more [laughs] than let this be implicit.

9. Does the increased emphasis on value preservation and value erosion encourage more balanced reporting of outcomes?

Poll

Yes	77%
No	8%
Neutral	15%

Comments

Bill: Okay, I don't know if this-- This is Bill again and I don't know what the final one is but I'll voice this now is just my obligatory wrap on the value of threshold sustainability thresholds in basically determining if you are eroding or preserving value, particularly in the external value, or system value or outcomes side of things. This is something that we at the sustainability context group had weighed in in 2013. We're working directly with IRC right now around this. I think it would be key to get this notion of thresholds or what is sometimes called in more complex language to Shari's point, the carrying capacities of the capitals.

On this particular issue, I don't think that being more clear about value erosion is actually going to solve the problem here. I do think this is one of those instances where you have to delve into the sufficient degree of depth on creating clear language that is going to get a report prepares to be able to assess where they are visa, the social, and ecological thresholds. I'll leave it at that. Thank you.

Treatment of impacts

10. Does the closing sentence of paragraph 4.20 sufficiently address the coverage of impacts under the term 'outcomes'?

Poll

Yes	38%
No	38%
Neutral	23%

Comments

Tim: Hey, Mary. Thank you. Just looking back on really both sections so far, I think the outcomes versus outputs is exceptionally clear, in my opinion, and I'm new to this. I don't think I have the depth of knowledge of other people on the call. Maybe fresh eyes, and I do think it'll also be well received by the preparers. I do think going back to the imbalance discussion, there is a serious disincentive for preparers to go negative on the imbalance side. I feel just holistically that we're probably too subtle with regard to what is required a negative consequences or suggestions. I think there's probably a little bit of echo

chamber that the group is so knowledgeable on this stuff that you know exactly what you're talking about, and others won't, and realizing the world responds to incentives. The incentive is to not list negative things for preparers. Then finally, also in these two sections, someone said earlier, anything that we can do to reduce barriers to people preparing in the first place is the gateway to long-term success and things can always be improved over time, but first people need to produce a report. I don't think there's any place it could be more important than this to not let the great get in the way of the good as the book says, so those are my comments. Thank you.

Mary: That's great. Thank you, Tom. I think we had one other comment. Well, Sarah, thank you for helping us with this section. I do think it would be an interesting idea to have another conversation about this. Clearly, there's a lot more to talk about, so in that spirit, we'll keep moving and we'll go to the final section where we got our break with Jason. Jason's going to guide us through some very diverse questions about the future of reporting, and I'll watch the time and try to keep this moving so we have time to talk about all of them.

Purpose of an integrated report

11. Should paragraph 1.7 extend beyond providers of financial capital alone to include providers of other forms of capital?

Poll

Yes	73%
No	20%
Neutral	7%

Comments

No comments

External reporting standards and frameworks

12. Do you support the creation of a resource outside the <IR> Framework (e.g. an online database) to showcase authoritative sources of indicators and methodologies across the capitals? If yes, to which standards, frameworks or initiatives should the resource point?

Poll

Yes	73%
No	13%
Neutral	13%

Comments

Sonal: Hi, this is Sonal Dalal from SASB. Just in regards to comments, I fully actually support any way that we can really ensure a cross-learning. The consideration that I would ask IR to make is that there actually are systems in place online. The reporting exchange established by the WPCSD, the knowledge hub established by CDSB, there's even a knowledge hub established by the Japanese government. Then there are also exchanges, knowledge hubs established by stock exchanges on reporting. There's actually a lot of our systems already in place. I would really ask you to consider, instead of creating something new or recreating the wheel, how can you really latch onto the systems that are already in place?

Richard: Hi, I'm Richard Jones and that's why I voted no. I track a lot of the databases that are available. At this point, there are sufficient databases available that provide reports that show all the different reporting formats, that an additional one, I don't think would be valuable and it might be a bit of a waste of resources. I agree with Sonal that you just want to see how your reporting connects with other reporting, I think.

Jason: Thank you both for your comments on that. Both of you addressed the issue of cross-comparability with other standards and databases there. One of the other purposes of the database that we considered, and which I discussed briefly, was how to better prepare an integrated report with examples. Are your comments exclusive to the cross-standard database and ensuring comparability, which I think your points are excellent, or are you also commenting on you would not like to see a database that specifically addresses integrated reporting?.

Sonal: Those other systems also include case studies, also include different systems. What we're suggesting or what I'm suggesting is that since there's an already established audience over there, it would be better for you to just plug in to what they've already developed. Obviously, they would be really, I suspect, very open wanting to do something specific for IR if it's needed. There is already a huge amount of confusion in this space, and so I think the more we can do to reduce that confusion the better.

Richard: I would just say yes, I agree with that. Not now.

Tim: Jason. It's Tim Christen and I voted no for the same reason. We were first noted, but I would have alternative point of view on your second question. If you were to put together a database very specific to best practices and developing an integrated report, I think you're the natural, or we are the natural home for that, and would be the first place that someone would look. I would be more affirmative on your second sub-question.

Jason: Thank you for that clarification. Alan, it looks like you have a comment as well.

Alan: Yes. I think it's a really important point from Sonal and others about there being resources out there. I think the SEC has some stuff like that as well, that could maybe be pointed toward or considered. Making your own database doesn't mean take everything from scratch. There could be a

reference section, or other things to look out, or in the works cited of each section, there could be pointing toward other things while still being our database. If IIRC is the thought leader that it is, I'm relatively new to the group, but having something that will draw people to the website and draw traffic through our resource, even to point out the directions, that centralizing effect is still a good thing and valuable.

Brad: Jason, I also had a question I just wanted to clarify, are you talking about a database that would be different than, forgot the official name of it, but examples or sample database that IIRC has already had for a number of years?

Jason: Yes, that, as well as an expansion. Specifically, I think there was a lot of dialogue around the very issues that Sonal addressed, which were, what are the questions in this about cross-comparability? That would be an expansion of the database. We have talked on the framework panel about expanding the examples and just from this conversation alone today, regarding outcomes and outputs, I can see more discussion, more examples around that issue in particular.

It was very broad-based. Again, my section's about the future of integrated reporting. It's about should there be a change in expansion more so than a continuation? Did I answer everybody's questions or address, get all comments? I only could see five images at a time, so I'm scrolling back and forth. If you have something else to say, please say it, if not, I'll move on to Question 13.

Integrated thinking

13. Should the IIRC address the concept of integrated thinking more deeply? If yes, what additional guidance is needed?

Poll

Yes	59%
No	6%
Neutral	35%

Comments

Mary: Can I ask how you would do that? Would that be papers or--?

Jason: Lisa, do you want to, I can weigh in, but Lisa you've been very intimately involved in some of these digestion of these comments. Do you have anything to add here?

Lisa: Well, nothing terribly clever to add than to say what's already on the slide is there's a constant craving for more information, and we try to do it in various ways as shown on the slide here, but the calls continue. Clearly, we're not hitting the mark. I guess that's where we're putting it out is like, what more can we do? We're happy to do it, but in what form, or what nuance do you want addressed and so on? That's generally where this is coming from.

Jason: Yes. I would appreciate any comments here. In my own consulting practice, where I advise investment managers on how to improve their culture, as well as investment performance, I have come to say, somewhat pejoratively, offhand, that there are two types of thinkers in the world, systems thinkers and non-systems thinkers. It seems to be really hard to get people who are non-systems thinkers across the line to being a little bit more integrated in their thinking.

I think an integrated report so naturally appeals to me intellectually because it's how I naturally think anyway, and I myself confess, I struggle to get my clients over on board with the integrated thinking. I'm

familiar with the literature, like the well-known books on this, but any advice here would be welcomed by us.

Sonal: This is Sonal. I actually voted No, I think I was the only one who voted No, but a lot of reason for doing this is that just that question, how do you do this? To me, integrated thinking is about a community of practice that sits about and builds on each other their latest thinking, best practices. It's a way to create a shared platform. In my mind, if you are implementing the IR framework, then you are putting into practice integrated thinking.

That's one way of thinking about it, but the other one is it's just that, I don't know if you can ever create a step-by-step approach for integrated thinking. I can't even imagine how to begin to start doing that. I wouldn't participate in that working group, but anyway, the point being is just that part of this is, to me, the way you implement something like this is through a community practice of knowledge sharing. I can't say you could ever develop a methodology. That's my general concern with wanting to do more.

Jason: Okay. For those in the audience who voted Yes, there was a question, what format are you mentioning? I think Mary, that was your question. Would a white paper be useful, would greater clarity with examples be good, would a bibliography of read-this be useful? Any thoughts? Okay, hearing none. I hear something.

Mary: No, it was me. I was saying it's hard. That's something we tried to do with our website at the beginning. We just made a list of companies that we thought we're on the journey to integration. It's a weak proxy, but it's a start.

Jason: I will say I would love to be a part of that working group. It's subtle, because one of the things I teach is scenario planning as an improvement on strategy. I've got techniques that I use there that somewhat, I mean they're close to moving people, but it still seems that you're either an integrated thinker, systems thinker, or you are not. It's tough to get people that lose their religion, if you will.

Technology

14. Should the IIRC explore the role of technology in future corporate reporting as a priority?
If yes, what technology considerations should be addressed?

Poll

Yes	63%
No	6%
Neutral	31%

Comments

Richard: Okay. I was a neutral and I also wanted to comment. I guess my comment would be that it's not so much that the IIRC should engage preparers, users. You might want to engage technologists. Those folks who develop software to help improve the reporting process, that might who you might want to engage, and have them work with users to better understand how to apply.

Typically that's how standard setters, I think that's how they tend to try to help preparers have technology support to help them in their reporting process. That's how I see it. It's more engaging technologists, and other software developers, and companies that are involved in developing technology to help reporting supply chain to develop technology, to support providing reports under the IIRC framework, and not so much engaging preparers about technology in the future.

Jason: I'm revealing a little bit of my eye, you could say there. I'm not a preparer, I'm an investor. I may have spoken a little bit naively about that when I was representing some of the discussions that we've had. Any other comments?

Tim: Jason it's Tim. I had a comment, and I am a very strong Yes on this. As to the question that's been asked in Q-14, I don't really have an opinion on the bullets up above on the how, but my yes does not relate to XBRL. It relates to the bigger technology trend that if we weren't spending all our time in the news talking about the pandemic, or China, or the recession, or equality, we would be spending all of our time on technology. What is definitely about to happen is there's going to be a much higher capability for companies to produce accurate, forward-looking information, on a broader range of non-financial topics.

For instance, what weather patterns, what the effect might be on the sales of farm equipment and things like that, broader things. It affects many capitals outside of financial capital. I think it's something we should be prepared to tie into. I don't think we're the leaders on that, but I think it's the same issue that affects financial accounting standards, frankly, that forward-looking information is going to be something that we need to put some structure around, whether it's rules or principles or best practices. That's my Yes.

Jason: Shari, I see your hand up, but I don't want to violate anybody else who had their hand up as well. Shari, go right ahead.

Shari: I just want to make two points on this that are interrelated. It comes from what we hear is happening at the practitioner and the corporate level is, whether you're in a mainstream, or integrated, or sustainability, whatever type of reporting you're doing, tends to get a lower priority for internal resource. Reporting tends to get in finance and accounting, whatever format tends to get lower on the priority for internal resources when it comes to building and creating platforms, just putting that in there, but there are platform providers out there already who have put together the process of gathering data, reporting it, summarizing it, and then getting it into external reporting.

Taking that a step further, we have some new thought leadership coming out on the use of XBRL in the broader sense of non-financial reporting. To do it properly, it's not just something IIRC I think can do alone. It really needs to become a system-wide embracing of a technology system that will go from source to user, that companies are spending an enormous amount of money and resources inefficiently, reporting the same data in different formats and different ways. This is part of the solution, and it's something that IIRC probably can be a part of, part of that conversation, but to really see progress, it's larger and includes regulators, and data aggregators, et cetera.

Open feedback

15. Were there other comments not already addressed by the group's responses to Questions 1 - 14?

Comments

Mary: Obviously, we don't have a poll for this, so I'd ask people to share in the chat, or unmute yourself and chime in.

Tim: Well, I would say the output of the meeting organizers has led to an outcome of me feeling very good about the work you're doing, and I thank you.

Jason: That's very kind of you. Thank you, Tim. I will somewhat selfishly, while there are no comments, Laura, you've said in the comment section about human capital. I would love to hear about that. I would love to hear a little bit more detail about what you do.

Laura: Jason, thank you very much. I appreciate the invitation. I am completely new to this group. Mary reached out to one of my partners via email last week, and this is how I am connected to this conversation. We recognized in our human capital practice which is focused pretty specifically on working with investors, primarily private equity and venture capital, around the entire arc of their mergers and acquisitions activity.

We work with them from the very early stages of their human capital evaluation all the way through post-acquisition integration, but do do some work on the sell-side as well. Very early on in this experience for us, recognize that an integral part of the conversation with that investment community, both in the M&A practice and through the life cycle of their portfolio companies as they move to exit, was finding a mechanism to connect the overall performance of those investments from a human capital standpoint, specifically to the financial outcomes and the creation of value.

What we've done is to take a subset of the ISO 30414 standards and build a business performance scorecard connecting financial performance, including things like profitability and liquidity, connected specifically to things like human capital ROI, a measure of human capital value add and turnover. Those kinds of things that are very typically, I'll say baseline kinds of reporting, particularly for private organizations. One of the things that the middle market and the lower middle market really struggles with is the data that's necessary to move through that reporting. We've focused very much on developing a tool that connects some of those relatively elemental elements to overall organizational performance.

Jason: Thank you very much. This is one of the things I've-- as an investor, I used to not impress a grocery store companies that had 1%, 2% profit margins because the human capital wasn't on the balance sheet. I thought they essentially would probably destroy our capital if you included the human capital effects in there. I've always been fascinated by this issue. In the interest of time, Shari, you had a comment in the chat that was quite interesting, you had a question.

Lisa, I'm going to put it on you because you have your feelers out there much more than those of us who serve on the framework. The question was, are you observing clarity or confusion in the market between multi-capitalism and multi-stakeholderism?

Lisa: Interesting. Not broadly, but it has come to my attention within actually this last month, the first time where that has come up. We're considering, since it isn't a groundswell of questions, but the question has come up, we've considered how to treat that as part of our FAQs. It's interesting, you are now the second person to have raised it in this last month.

Appendix A – Meeting Chat

- 14:15:35 From Brad Monterio : Question: Did any issue come up with P2C about the word “opinion” or “conclusion” with respect to avoiding the interpretation of that from an auditor’s opinion?
- 14:25:25 From bill baue : Julia’s point prompts a big thanks to all of you who work on guidelines — creating clarity is hard to do!
- 14:25:56 From Jason Voss : A part of our discussion in the Framework Panel with regard to the supplementary disclosures was that users of an <IR> could, with supplementary disclosure, evaluate whether they felt the level of work done by a reporting firm was adequate.

- 14:26:47 From Brad Monterio/IMA BoD, IIRC Council : Is “those charged” with governance open to wide interpretation?
- 14:27:09 From Brad Monterio/IMA BoD, IIRC Council : vs. those directly accountable, for example
- 14:28:20 From Stathis Gould : it is has a new definition in the glossary Brad - to include boards and management
- 14:28:41 From Brad Monterio/IMA BoD, IIRC Council : ok
- 14:30:18 From Rich Jones - Academic : How well does this definition match that used by IFAC among its standard-setting boards?
- 14:31:30 From Paul Thompson : IAASB defines TCWG in ISA 220 at https://www.ifac.org/system/files/publications/files/ISA-260-Revised_1.pdf
- 14:32:24 From bill baue : +1 to Brad’s first comment
- 14:33:12 From Paul Thompson : ISA 220 para. 10 "Those charged with governance – The person(s) or organization(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel, for example, executive members of a governance board of a private or public sector entity, or an owner-manager. For discussion of the diversity of governance structures, see paragraphs A1–A8."
- 14:34:29 From Stathis Gould : I think it is adequately aligned and consistent for the purposes of IR - not that I particularly like the term in the first place :)
- 14:36:10 From Shari.Littan : It seems to me that corporate counsel will need to provide guidance for compliance and to make sure that any sign-offs are in line with legal obligations. Has the corporate legal community weighed in?
- 14:37:50 From William Russell : Seems like supplemental process descriptions should be required vs. optional.
- 14:38:16 From bill baue / r3.0 : Jason’s point amounts to a kind of “meta-narrative” to provide background context...
- 14:39:16 From Shari.Littan : I'm not sure that these paragraphs are necessary.
- 14:39:42 From Brad Monterio/IMA BoD, IIRC Council : I worry about use of words like “ordinarily”
- 14:41:32 From bill baue / r3.0 : and it strikes me that this “meta-narrative” is likely relevant across many / most sections of the report. Kind of like the function footnotes serve. I wonder if a “parallel” document could address this function. This may not be a feasible suggestion, but just voicing it in case it spurs interest.
- 14:42:13 From bill baue / r3.0 : great job with this format.
- 14:42:33 From William Russell : Agree with Bill. The format is good.
- 14:42:53 From Rich Jones - Academic : I agree. Format is fine.
- 14:46:30 From bill baue / r3.0 : but the question is how the “market” defines these terms

- 14:46:59 From Shari.Littan : Echo Bill B's comment: what are user needs?
- 14:51:29 From Shari.Littan : I think this is incredibly confusing - particularly for professionals in mainstream accounting who are approaching this area for the first time.
- 14:51:55 From Elizabeth Castillo, Arizona State University : Nonprofit sector works a lot with outputs, outcomes, and impact using a tool called a logic model
<https://www.intrac.org/wpcms/wp-content/uploads/2016/06/Monitoring-and-Evaluation-Series-Outcomes-Outputs-and-Impact-7.pdf>
- 14:52:50 From Rich Jones - Academic : I would assume preparers would provide "outcome" narrative consistent with their stated strategic objectives relative to the management of the capitals.
- 14:53:09 From Mary Adams : The example is only of external impacts. Many actions have impact on internal/non-financial aspects of the capitals.
- 14:55:08 From bill baue / r3.0 : +1 to Bill R's comment
- 14:55:14 From Shari.Littan : I think this is very confusing, particularly for mainstream accountants who are trying to learn this area.
- 14:56:08 From Rich Jones - Academic : Preparers will definitely develop standard language relative to their internal outcomes and, they might take a similar approach with "negative" outcomes. Legal and competitive concerns will drive such behavior.
- 14:57:02 From bill baue / r3.0 : the Evaluation community has an approach called "Contribution analysis"
- 14:58:17 From Florie.Bourrel-Heleine@mazarsusa.com : Sorry, I have to leave you for another meeting. Great insights. Thanks a lot.
- 14:58:35 From bill baue / r3.0 : +1 to Lisa's suggestion of "more fulsome guidance elsewhere"
- 14:58:46 From Elizabeth Castillo, Arizona State University : Overview of contribution analysis
<https://www.intrac.org/wpcms/wp-content/uploads/2017/01/Contribution-analysis.pdf>
- 14:59:03 From bill baue / r3.0 : thx Elizabeth!
- 15:00:48 From Shari.Littan : My comment is whether 4.19 follows from the earlier text.
- 15:01:35 From William Russell : Seeing "for the capitals" is good, but I have not seen many efforts to report using multi capital accounting (Didn't post earlier.)
- 15:02:12 From Brad Monterio/IMA BoD, IIRC Council : Similar comment as earlier. When we say "Ordinarily" do we give orgs a way out of providing this?
- 15:02:28 From Brad Monterio/IMA BoD, IIRC Council : I know we are not prescribing, but..
- 15:03:05 From William Russell : I have been doing some work in the LCA community on carbon footprint analysis. They are making some progress. Also Handprints for positive outcomes are being advanced.
- 15:03:47 From j.wilcox : The use of the word "ordinarily" in the text is not helpful. It seems intended to avoid "should."
- 15:06:21 From Shari.Littan : The segregation of outputs and outcomes is clear. The connection to value is unclear.

- 15:07:03 From Jenny Norris - Indiana CPA Society : I agree with Shari about the connection to value
- 15:07:49 From Stathis Gould : Should the brown bubble simply include outcomes and impacts - the time frame is covered in the narrative in the framework
- 15:08:11 From Elizabeth Castillo, Arizona State University : Completely agree with Bill that we have to step into discomfort of learning to deal with complexity
- 15:10:07 From William Russell : agree that embracing more complexity is needed and OK.
- 15:10:45 From Brad Monterio/IMA BoD, IIRC Council : Sounds like the Cylons in Battelstar Gallactica
- 15:12:59 From bill baue / r3.0 : interesting idea from Stathis — essentially, the “marketplace” of ideas & practice sees outputs leading to impacts and then “outcomes” (or as BASF calls it Value-to-Society and we call System Value (following in Future Fit Business Benchmark)
- 15:17:07 From Shari.Littan : More complexity calls for more clarity so that adoption and implementation are effective.
- 15:17:48 From bill baue : agree with Shari. Hence very helpful to go through this community vetting process.
- 15:17:59 From Stathis Gould : it might be useful to recognize and articulate the bridge between value creation and impacts. In reality, this is being achieved by various organizations like BASF and ABN AMRO by monetizing non-financial information
- 15:23:39 From Shari.Littan : In my view, this is too vague for implementation. The framework needs to be more definitive about the entity concept versus externalities versus multi-stakeholderism.
- 15:24:36 From bill baue : yes, Stathis, the impact valuation work is moving the ball forward, but monetizing things that carry intrinsic value (system value) so I don't think it solves the overall issue.
- 15:24:41 From Stathis Gould : I think the issue is that we want outcomes to be synonymous with impacts and this is not the case for some folks.
- 15:24:55 From Brad Monterio/IMA BoD, IIRC Council : Is there such a thing as a “neutral effect” (meaning it didnt cause a change up or down) that we should recognize in the language?
- 15:27:11 From Stathis Gould : Agree Bill. We are putting out a report on the CFO role in value creation (tomorrow) and we acknowledge that monetization does not solve the issue but is an important step in optimizing value creation to different stakeholders and making trade-offs
- 15:27:12 From Sarah Bostwick - Chief Executives for Corporate Purpose (CECP) : Yes Brad, the term for neutral effect is preservation.
- 15:28:07 From Brad Monterio/IMA BoD, IIRC Council : Thanks Sarah. Should we include that in the added language for the prior slide?
- 15:28:22 From Sarah Bostwick - Chief Executives for Corporate Purpose (CECP) : It's proposed for inclusion in IR Framework to always specify "value creation, preservation, or erosion" rather than just "value creation" as it reads now.

- 15:28:34 From bill baue : on the question of value creation and impacts / outcomes, I encourage IIRC to see its own “Value Creation Background Paper” (2013), in particular paragraph 58. <https://integratedreporting.org/wp-content/uploads/2013/08/Background-Paper-Value-Creation.pdf>
- 15:29:21 From bill baue : 58 Ultimately value is to be interpreted by reference to thresholds and parameters established through stakeholder engagement and evidence about the carrying capacity and limits of resources on which stakeholders and companies rely for wellbeing and profit, as well as evidence about societal expectations. Interconnections between corporate activity, society and the environment and the purpose of the corporation should therefore be understood in terms of what the corporation, society and the environment can tolerate and still survive – that will be the main determinant of value. The challenges will be to reach agreement at corporate, national and international level on what those thresholds and limits are, how the resources within those limits should be allocated, and what action is needed to keep activity within those limits so that value can continue to be created over time.
- 15:30:51 From bill baue : clearly, that might need massaging, but it is language in IIRC’s own “oeuvre” if you will.
- 15:31:20 From Shari.Littan : This raises the fundamental question: what is IIRC's mission.
- 15:32:03 From bill baue : Stathis, thanks for that affirmation & update. Looking forward to it.
- 15:32:08 From Brad Monterio/IMA BoD, IIRC Council : COmment: stakeholders may not provide any capital at all but still be interested in the outcomes and impacts because those impacts are on them.
- 15:32:42 From bill baue : +1 to Brad’s comment
- 15:33:06 From Elizabeth Castillo, Arizona State University : Stathis, how can we get a link to that report when it comes out?
- 15:34:00 From Stathis Gould : I will ensure you receive the communication - please send me your details stathisgould@ifac.org or Mary can circulate it
- 15:34:38 From Elizabeth Castillo, Arizona State University : Thank you, Stathis!
- 15:37:46 From Mary Adams : I can circulate to attendees
- 15:38:46 From bill baue : @Sarah, that’s a good step! But again, I think a clearer articulation of the intersection between value creation / destruction and the need to sustain capitals at the necessary (threshold) levels systemically. Humanity is currently breaching 16 of 21 systemic ecological & social thresholds, and companies are primarily responsible. So I don’t see how we can escape making this necessary connection.
- 15:39:41 From William Russell : Agree that an IR best practices examples is still needed. Linking to other is OK, but not sufficient as it would get buried.
- 15:44:53 From Stathis Gould : I only answered neutral because the integrated thinking group is sharing knowledge on this including case studies - it might be that this is not adequately disseminated
- 15:45:10 From Brad Monterio/IMA BoD, IIRC Council : The challenge with concepts like integrated thinking is it is far less tangible than something like a report. Harder to convey less tangible concepts to some. I also believe an int thinking approach may

differ between orgs.

- 15:46:00 From Elizabeth Castillo, Arizona State University : Here is a framework I like for integrative thinking because it addresses power dynamics and tradeoffs
<https://conflictandcollaboration.wordpress.com/2012/06/25/a-framework-for-integrative-thinking-about-complex-problems/>
- 15:46:15 From bill baue : fully agree with the systems thinkers v non systems thinkers divide. Very hard to bridge divide. but key to keep articulating it.
- 15:48:24 From Brad Monterio/IMA BoD, IIRC Council : XBRL isn't "emerging" - its been around since 1996/1997
- 15:48:27 From Elizabeth Castillo, Arizona State University : I think encouraging organizational learning is a way to help organizations become familiar with systems thinking and develop integrated thinking
https://hbs.qualtrics.com/jfe/form/SV_b7rYZGRxuMEyHRz
- 15:49:59 From bill baue : haha Brad! I remember writing "if you build it they will come" article in 2004 or 5!!
- 15:50:19 From William Russell : Technology is key to metrics and metrics is key to management. It should be a priority.
- 15:50:24 From Brad Monterio/IMA BoD, IIRC Council : Paul Hulst and I created a down and dirty POC using XBRL several years ago for IIRC when Paul was leading the org. To show connectivity of information among other things
- 15:50:31 From bill baue : Thx for resources Elizabeth!
- 15:50:37 From Shari.Littan : Yes - I have a comment.
- 15:51:51 From Elizabeth Castillo, Arizona State University : A crowdsourcing platform to share indicators and practices in use, with upvoting to identify promising practices could hasten wider and better understanding of how information is source and applied, and which metrics are actually indicators of value creation
- 15:54:03 From William Russell : MSCI just released their method of VaR of climate risks. It shows the nexus between metrics, outcomes and financial quantification for that topic pretty well. Not perfect, but I think it is the direction.
- 15:55:25 From Laura Queen : We are a Human Capital advisor with a newly developed tool connecting human capital measures to business financial performance and would be glad to engage with the IIRC on this conversation
- 15:57:04 From Shari.Littan : Are you observing clarity or confusion in the market between multi-capitalism and multi-stakeholderism?
- 15:57:18 From Stathis Gould : It has been lovely to be part of the discussion - thoughtful feedback and thank you to Mary and Lisa for organizing
- 15:57:44 From Mary Adams : Great question Shari!
- 15:58:30 From bill baue : really rich conversation and very strong format. I liked the poll -> comments / discussion. Thanks again to Mary, Bob, Lisa, Sarah, Jason, and others.
- 15:58:41 From William Russell : Adding my Thanks to Mary and Lisa. Helpful call.
- 15:59:34 From Alan Alfano : Rather than take extra time - I'll put the comment here re:

technology.

- 15:59:47 From Stathis Gould : interesting question as when we talk about impacts we typically refer to stakeholders. IR is focused primarily on capitals in a wider stakeholder context. I do not think they are incongruent
- 16:00:00 From Laura Queen : for anyone interested the HC tool can be accessed at AlphaCalc.com
- 16:00:03 From Alan Alfano : The more heavily regulated the industry, the more intimately technology dev is tied with company growth - good idea to go deeper into technology
- 16:00:18 From bill baue : +1 Stathis
- 16:00:19 From Alan Alfano : Thanks for the meeting and discussion - very interesting
- 16:00:40 From Elizabeth Castillo, Arizona State University : Yes, format worked really well. Thank you to everyone for a great session!
- 16:00:46 From j.wilcox : Well done, Mary!
- 16:00:51 From Brad Monterio/IMA BoD, IIRC Council : Thanks for the meeting and discussion!
- 16:01:15 From Rich Jones - Academic : Very informative. I appreciated the opportunity to provide comments. Thank you.
- 16:01:26 From Stathis Gould : i will be in touch with the report Bill
- 16:01:46 From bill baue : 👍 stathis