

Opening Speech to the International Integrated Reporting Council (IIRC) Global Conference 2019.

Richard Howitt
CEO

#IIRC2019

Continuing momentum in the adoption of integrated reporting



Adoption

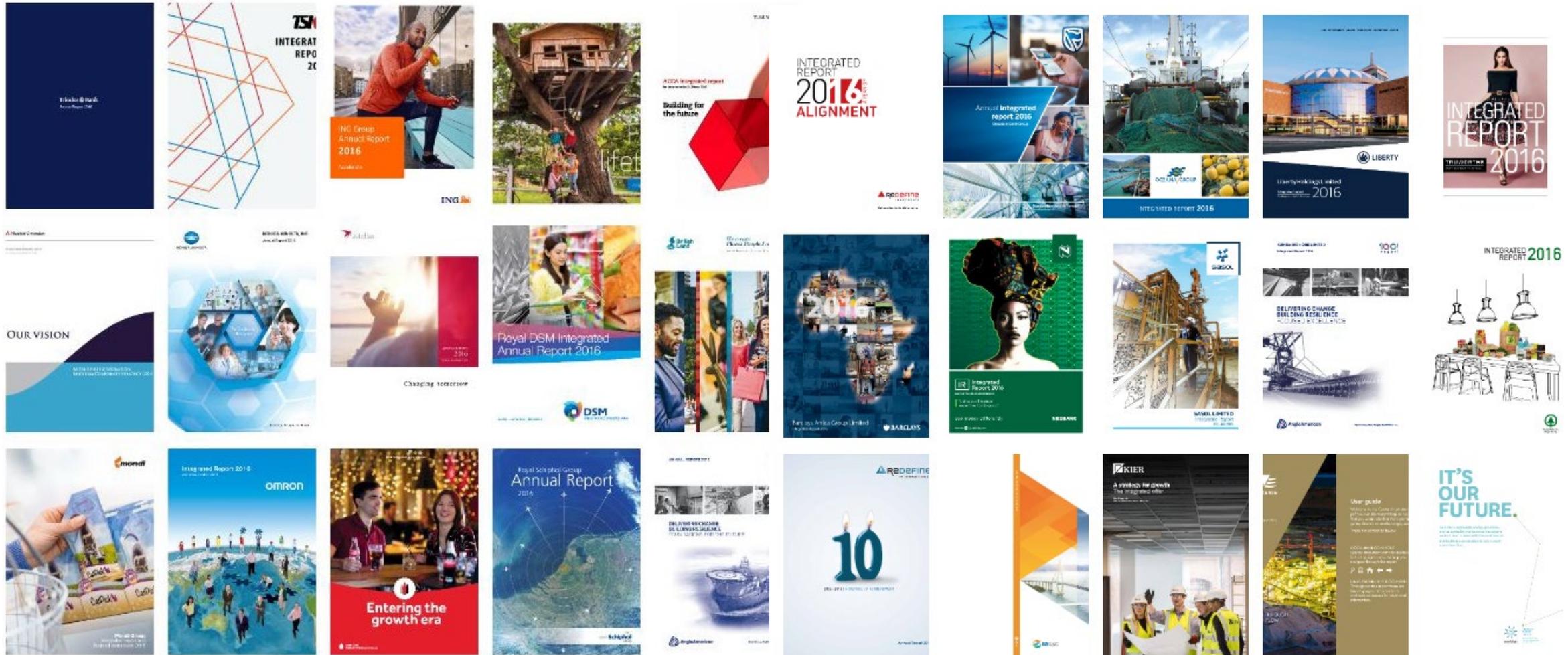
1,600 organizations across 64 countries including every G20 economy

Global networks with 2,000 participants including 500 in Brazil

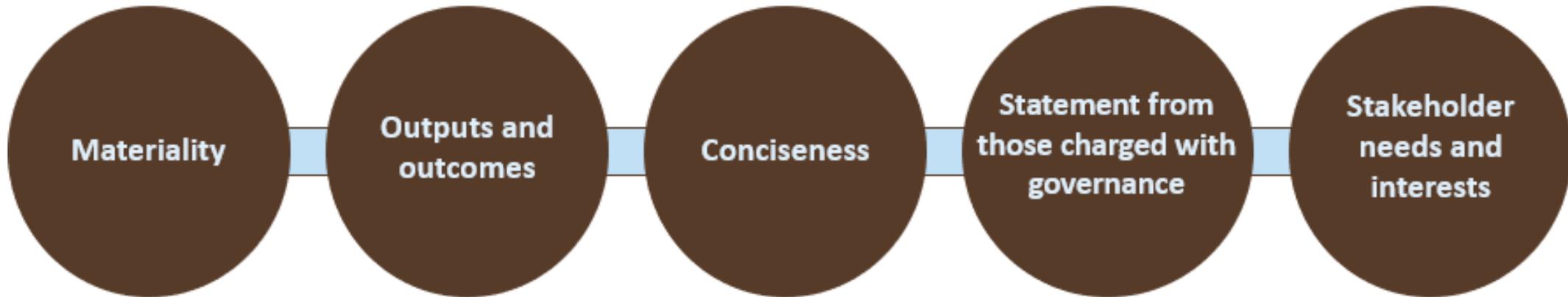
Mainstream in South Africa and Japan

Academic evidence shows that integrated reporting improves conditions for long-term investment, reduces cost of capital, improves performance and improves liquidity

New examples integrated reporting around the world added to the <IR> database in 2018



Implementation Guidance





- 経団連SDGs特設サイト -

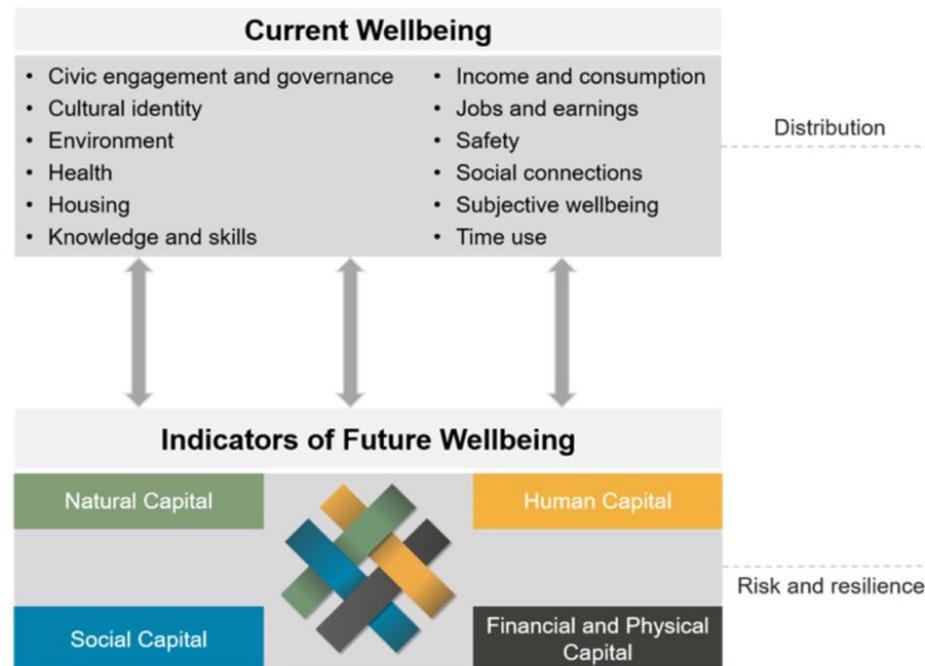


New Zealand multi-capital budget



TE TAI OHANGA THE TREASURY

Figure 2 - The Treasury's Living Standards Framework



Corporate Reporting Dialogue 'Better Alignment' Project



Revised Australian Corporate Governance Code

Recommendation 4.2

The principles of integrated reporting can be used in preparing existing reports, for example, the directors' report or the operating and financial review.

ASX
Corporate
Governance
Council

Corporate
Governance
Principles and
Recommendations

4th Edition
February 2019

Management commentary practice statement

Resources and relationships Comparison to the 'capitals' concept in the <IR> Framework

18

- We highlight the similarity between the emphasis on 'resources and relationships' in our proposals and the 'capitals' concept in the <IR> Framework.
- We note that there is sometimes confusion about the role of the capitals in an integrated report as the description of capitals may be seen as an objective for the report, rather than as supporting the objective. We wish to avoid this confusion and are therefore proposing to:
 - (a) focus the description of resources and relationships on *'those resources and relationships whose continued availability and strength could affect the prospects for future net cash inflows to the entity'*; and
 - (b) give as examples resources and relationships that *'provide the entity with a competitive advantage'* or *'if there is uncertainty about the continued availability of the resource or relationship that the entity depends on for its success'*.
- The approach to the capitals in the <IR> Framework is more high level than in the staff's proposals, providing six categories of capital to consider. A downside with this approach is that some commonly important resources such as *customer base* and *know-how* are not listed explicitly. Therefore, we are proposing guidance on the common resources and relationships that the discussion in management commentary *may* need to include. A downside of providing such guidance is that the guidance cannot list all resources and relationships that may be important for an entity (for example, we do not explicitly identify data assets, which may be important in some businesses).

<i>Integrated Reporting 'Capitals'</i>	<i>Staff's proposed approach Examples of 'resources and relationships' to be covered</i>
Financial	• Financial resources, and access to financial resources – A18(e)
Intellectual	• Expertise, know-how, and other intellectual capital – A18(b)
Manufactured	• Operating sites and infrastructure – A18(a)
Social and relationship	<ul style="list-style-type: none"> • Customer relationships, including the current and target customer and end-user base, the channels and partners through which the entity distributes its products and services, the entity's markets and its position in them – A20(a) • Sourcing relationships, including supplier and outsourcing dependencies, and the features of the entity's supply chain – A20(b) • Wider relationships, including those with government, regulators, and society at large to the extent that those wider relationships could affect the prospects for future net cash inflows to the entity – A20(d) • Brand and reputation – A18(c)
Human	• Staffing relationships, including both those directly with employees and those indirectly with employees and contractors in the supply chain – A20(c)
Natural	• Access to natural resources, whether licensed or unlicensed – A18(d)



Recommendation agreed by the Securities and Exchange Commission (SEC) Investor Advisory Committee, April 2019



"The disclosure system should evolve to include disclosure regarding intangible assets, such as intellectual property and human capital.

Human capital is increasingly conceptualized as an investable asset. Modernizing the Commission's framework for corporate reporting generally should reflect these facts, subject to the standard of materiality."

IOSCO STATEMENT



International Organization of Securities Commissions
Organisation internationale des commissions de valeurs
Organização Internacional das Comissões de Valores
Organización Internacional de Comisiones de Valores
المنظمة الدولية لهيئات الأوراق المالية

STATEMENT ON DISCLOSURE OF ESG MATTERS BY ISSUERS

18 January 2019

“The objective of this guidance is to facilitate more consistent disclosure practices and encourage firms to align their disclosures with investors’ needs.”

EY have found that

94%

of over 200 respondents to their institutional investor survey see integrated reports as essential or important

Inspiring global alignment through value creation
The IIRC's Global Conference 2019

Investor organizations' united view on broader reporting



ICGN
International Corporate Governance Network

October 2018

Investor Agenda For Corporate Esg Reporting

A Discussion Paper By Global Investor Organisations On Corporate Esg Reporting

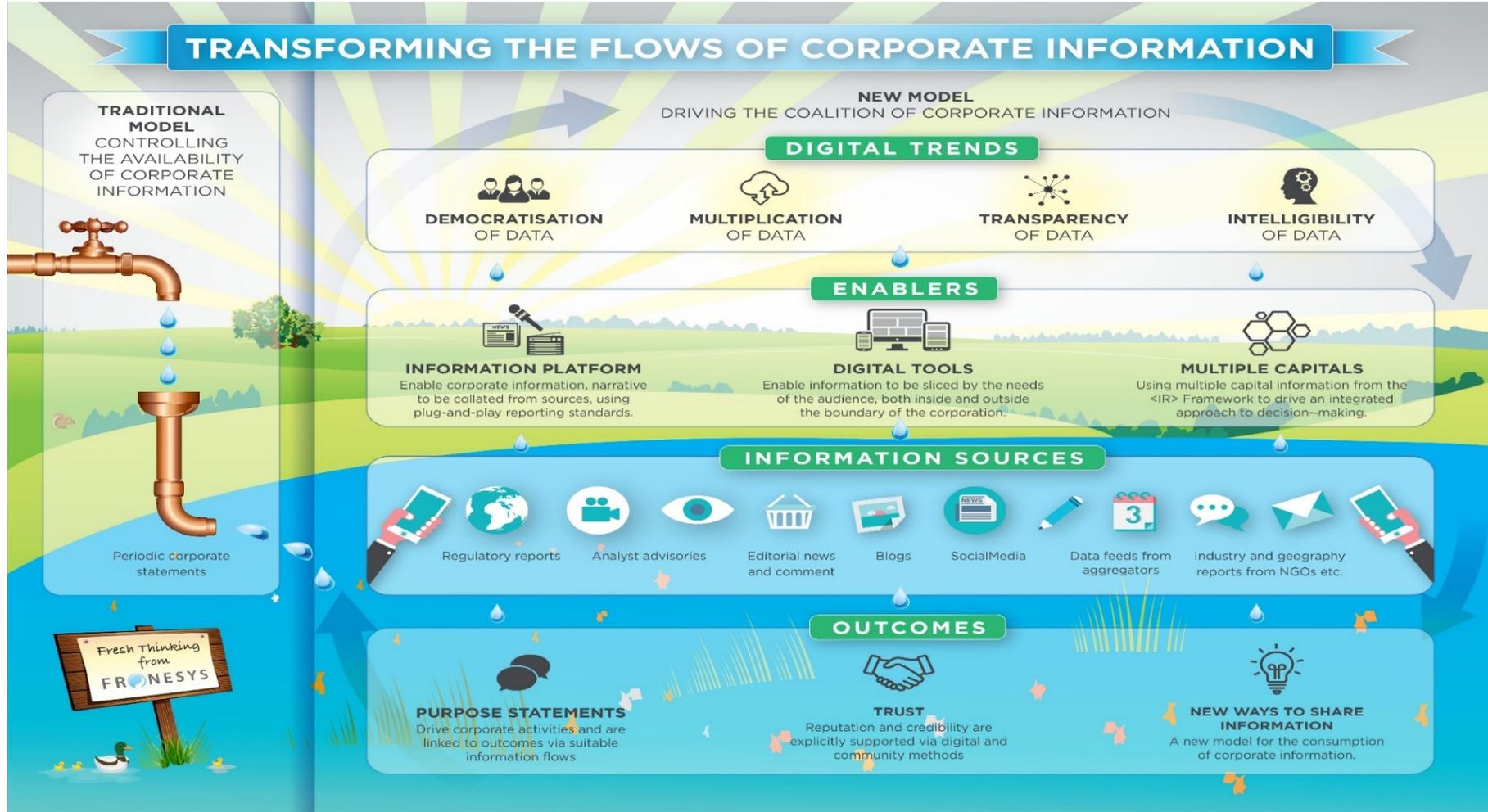
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WITH CONTRIBUTIONS FROM CERES, CFA INSTITUTE, GIIN, GSIA, ICGN, PRI AND UNEP-FI

dialogue Consistency
Data Responsibility
Integrated
Information
Forward-looking
Standardisable
ESG Comparability
Stakeholder

Corporate information in the 21st century

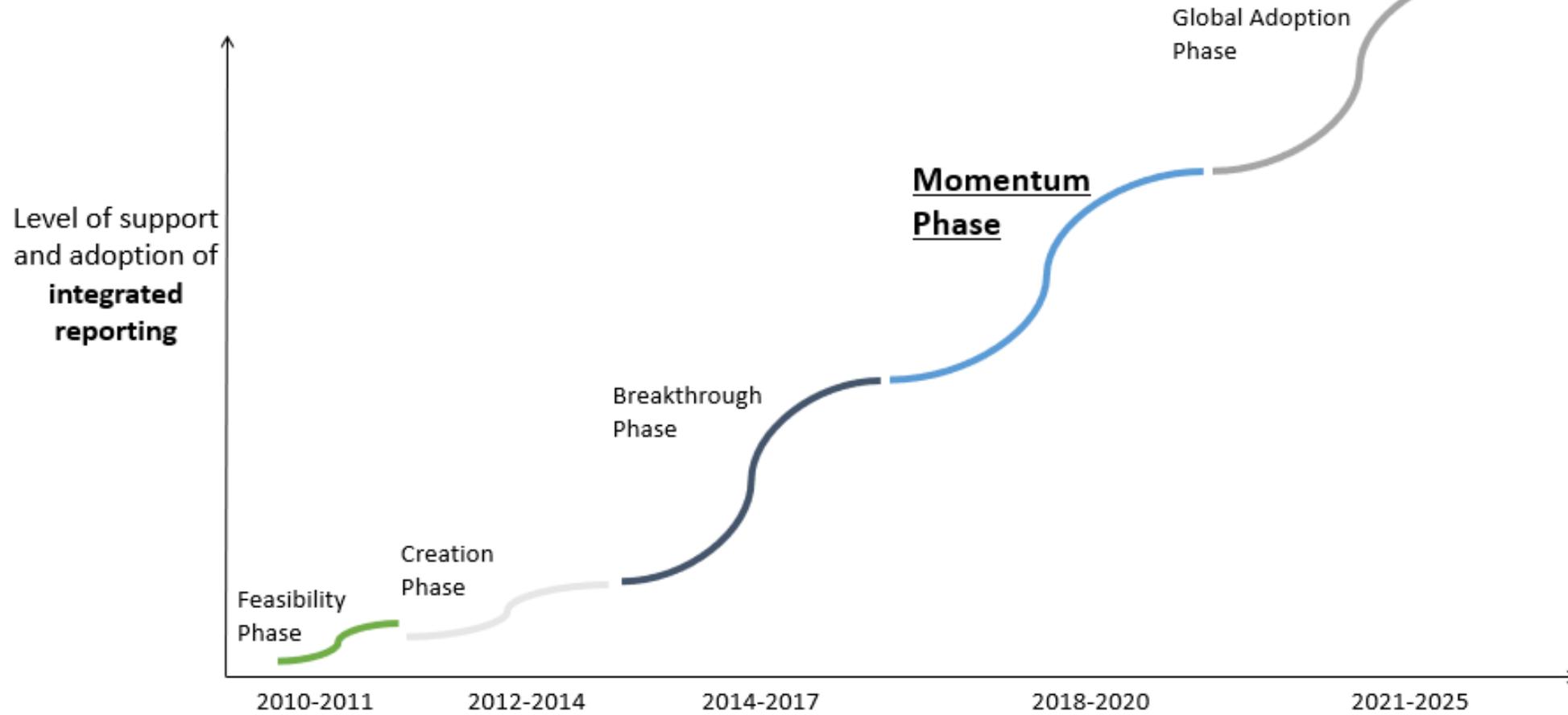




The <IR> Academic Database

<http://www.iracademicdatabase.org/>

Journey so far



'I believe that through the adoption of integrated reporting internationally we can make real changes to the way businesses and our markets as a whole function. We can ensure that business is working for society, for the planet and for all stakeholders'

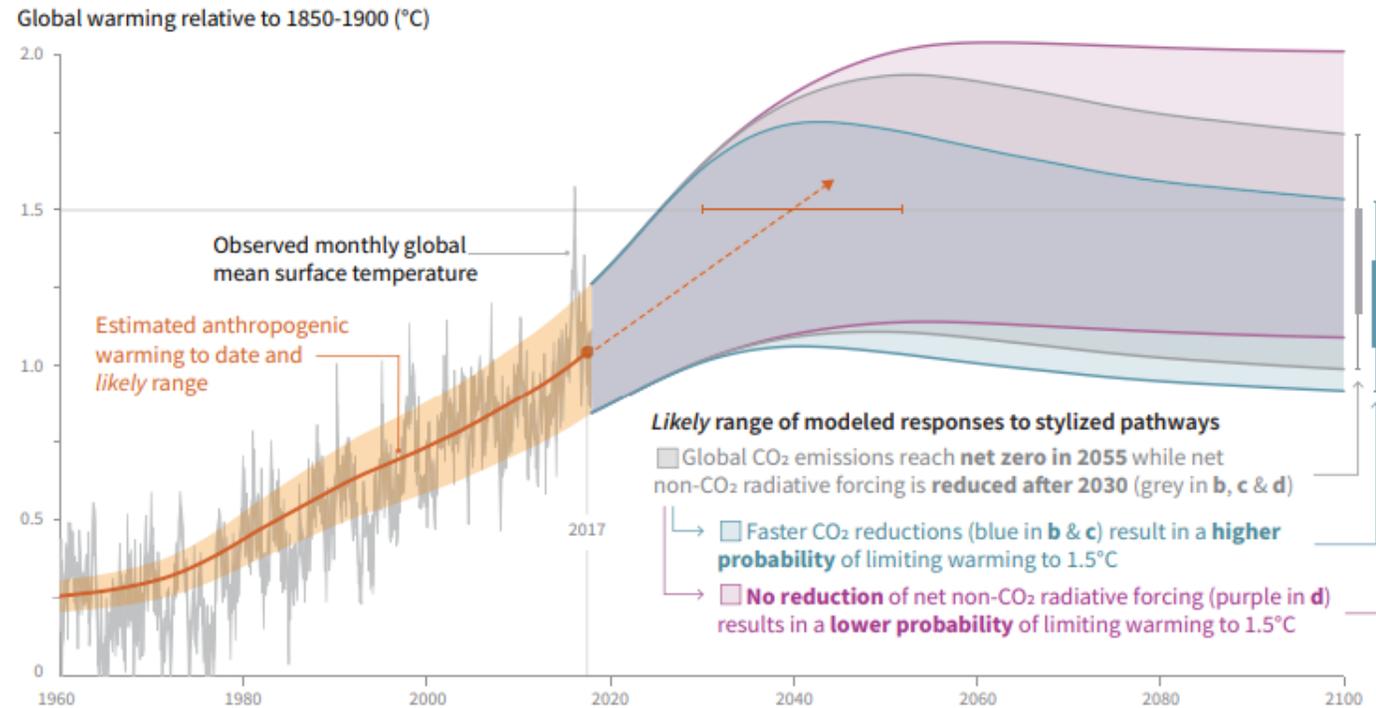
Dominic Barton, October 2018



The Intergovernmental Panel on Climate Change

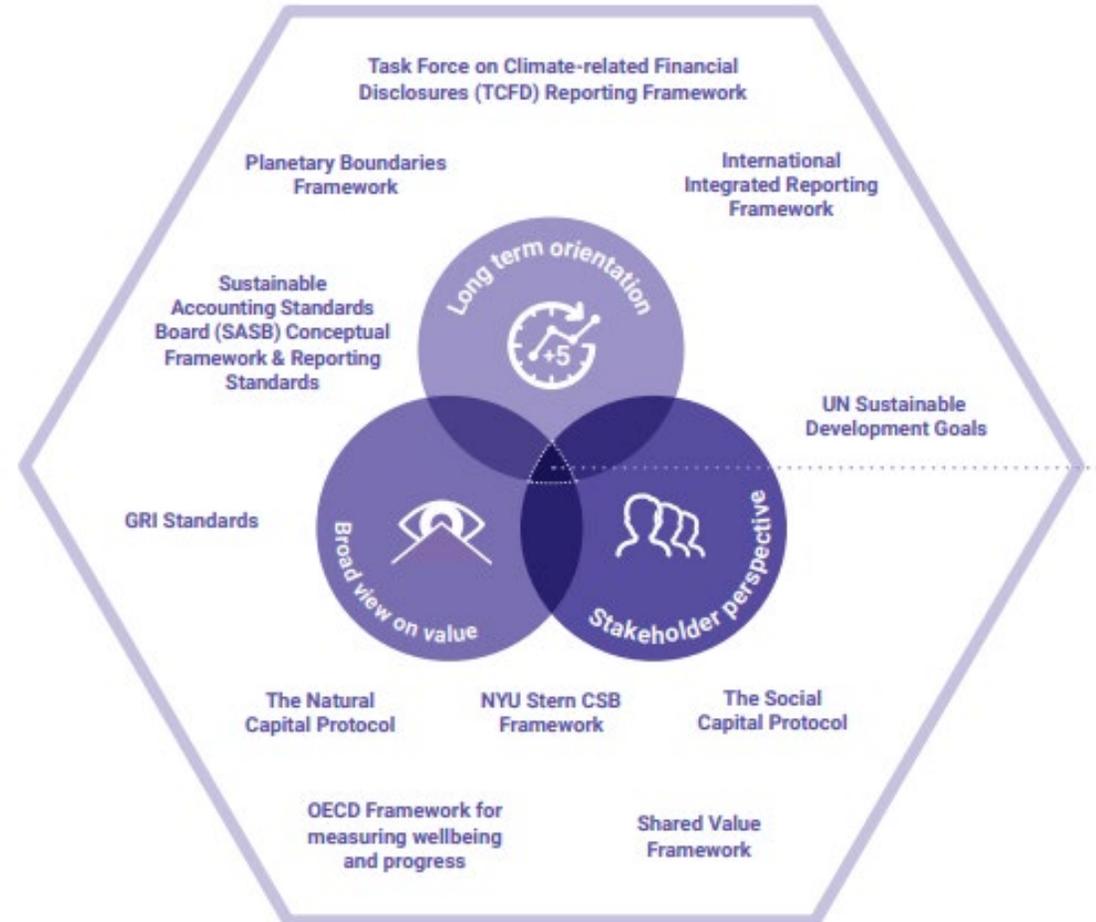
Cumulative emissions of CO₂ and future non-CO₂ radiative forcing determine the probability of limiting warming to 1.5°C

a) Observed global temperature change and modeled responses to stylized anthropogenic emission and forcing pathways



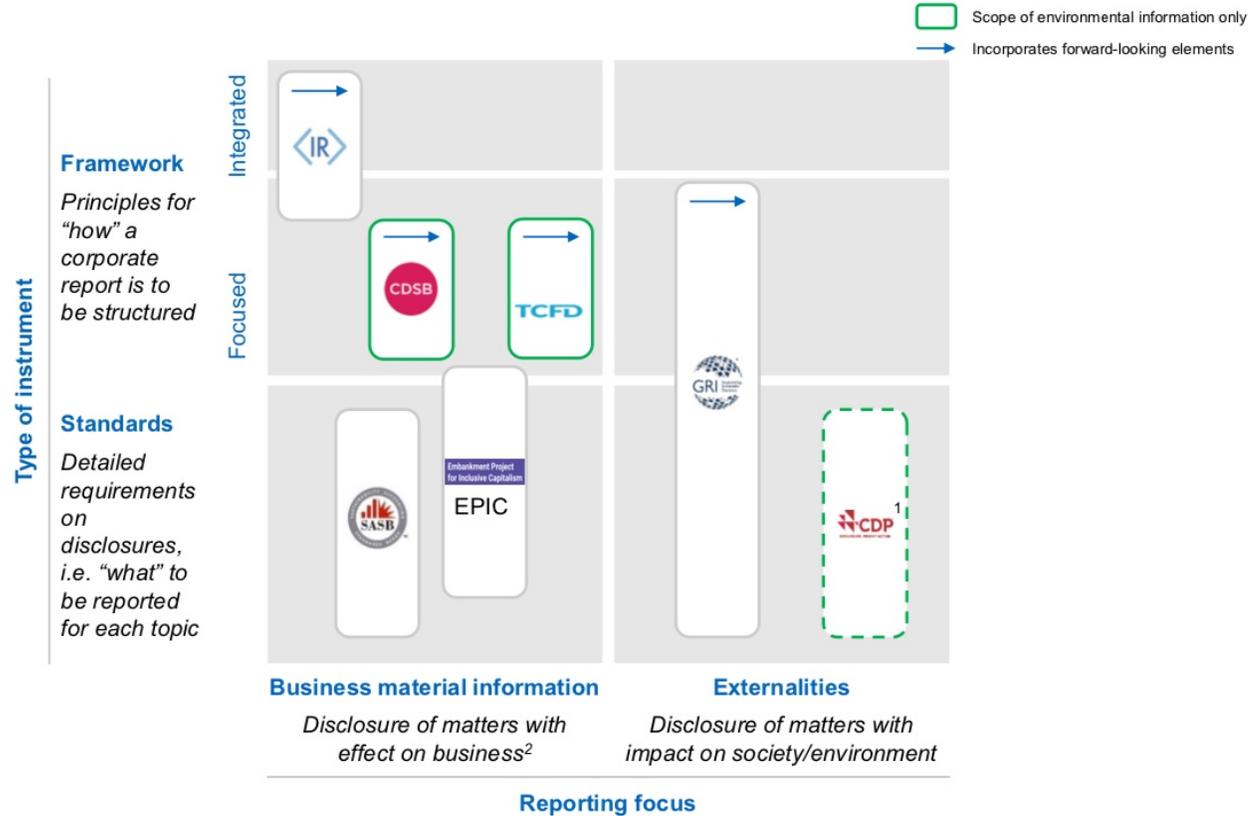
World Economic Forum Landscaping exercise in ESG reporting ecosystem





McKinsey study on the future of reporting

3 The six primary frameworks and standards have different objectives (1/2)



1 While CDP is commonly attributed as a standard, it is not but a questionnaire and specialist system for corporations to disclose environmental sustainability information
2 E.g. Impact on business strategy execution, financial performance, value creation

SOURCE: Team Analysis; Expert interviews; documents of each reporting standard/framework

Value Creation

Ten themes that inform the meaning of value creation

Value creation takes place within a context

Financial value is relevant, but not sufficient, for assessing value creation

Value is created from tangible and intangible assets

Value is created from private and public/common resources

Value is created for an organization and for others

Value is created from the connectivity between a wide range of factors

Value creation manifests itself in outcomes

Innovation is central to value creation

Values play a role in how and what type of value is created

Measures of value creation are evolving

16 - 17 May 2019
Royal Garden Hotel,
London, UK

THE IIRC'S GLOBAL CONFERENCE 2019

Inspiring global alignment through
value creation

#IIRC2019