Integrated Reporting—Discussion

Objective of Agenda Item

1. The objectives of this agenda item are to:
   - Inform the Board on developments in integrated reporting as well as other developments in external reporting and the relevant assurance issues to date; and
   - To obtain input on issues identified thus far and areas for further exploration.

Integrated Reporting Working Group (the WG)

2. The WG was launched in September 2014. Since the March 2015 meeting the Integrated Reporting WG was expanded with two new board members: Marek Grabowski and Ron Salole. Members of the WG are now:
   - Merran Kelsall, IAASB Member and Chair of the Integrated Reporting WG
   - Marek Grabowski, IAASB Member
   - Ron Salole, IAASB Member
   - Sue Almond, IAASB Technical Advisor
   - Beth Schneider, Director Deloitte
   - Sandy van Esch, Representative of Independent Regulatory Board for Auditors
   - Michael Nugent, Technical Director International Integrated Reporting Council (IIRC) (Correspondent Member)

Activities

3. At the December 2014 meeting the WG presented an “Update on Market Developments in Integrated Reporting and Emerging Assurance Issues”.

4. At the March 2015 meeting the WG presented the paper “Assurance on Integrated Reports: An Emerging and Innovative Landscape”.

Summary of the IAASB Discussion at its March 2015 meeting

Ms. Kelsall informed the IAASB about the meetings of the Integrated Reporting WG and the interaction that had taken place with different stakeholders, including the International Integrated Reporting Council (IIRC). She provided a preliminary summary of the feedback the IIRC received on its Discussion Papers.
(DPs) on assurance, provided further background to integrated reporting assurance in practice and clarified that, although the draft Awareness Paper addresses the IIRC Framework, the work of the Integrated Reporting WG captures also other frameworks relevant in this area. She noted the WG’s intent to first issue the Awareness Paper, and then further develop a more detailed DP building on the IIRC’s consultation and other information-gathering activities.

With regard to the market developments relevant to integrated reporting, IAASB members commented as follows:

- Some members questioned the current market situation and the fact that assurance engagements are being conducted, including whether there are already suitable criteria for the different types of assurance engagements in this area not only with regard to reporting but also with regard to internal control or reporting processes; and whether the assertions with regard to an integrated report are sufficiently clear.
- Other members also raised concerns about the risks of piecemeal assurance; over the type of limited assurance engagements currently being performed.

With regard to the Awareness Paper, the Board agreed in principle with the need to make the IAASB’s work on the topic of integrated reporting known, but raised concerns with the draft that was presented for discussion and suggested the WG clarify its objectives and content in order to streamline the paper. In addition, the IAASB raised a number of other suggestions in relation to the WG’s next steps, highlighting that the WG should:

- Remain open to other frameworks than the IIRC Framework.
- Obtain further information on needs for assurance so that the IAASB could better tailor the solutions to what is needed in the public interest. In this regard, a suggestion was made that the WG should not focus too much on the variety in current practices, but rather engage directly with investors and companies on their needs, as well as to use academic research that identifies the most important information for decision-making.
- Perform a gap analysis to understand whether the IAASB’s assurance standards are fit for purpose and, if gaps are identified, what IAASB could do to address these gaps. However, members also cautioned that it may be too soon to do this.
- First consider how assurance could be obtained on the pieces of an integrated report for which there are suitable criteria, and in due course develop a paper exploring assurance on integrated reporting as a whole.
- Not to be too prescriptive on the timescale for further activities.

Prof. Schilder confirmed that informing external stakeholders on the activities of IAASB is important in the short term, in part to highlight the interactions with the IIRC, with a more robust DP to follow in due course. He also suggested it may be helpful to add one or more additional board members to the Integrated Reporting WG.

**IAASB CAG CHAIRMAN’S REMARKS**

Ms. de Beer noted that the CAG was supportive of the IAASB’s work in the area of integrated reporting. She stressed the importance of WG focusing more pro-actively on obtaining insights into investors’ assurance needs and the importance of not considering existing and ongoing academic research only, but also soliciting academic research specifically in the area of assurance, as such studies are not yet available. Currently most research is focused on integrated reporting more broadly. Such academic
She noted that the CAG was of the view that the current Awareness Paper was not clear in its objectives, was not sufficiently focused and that significant assurance issues (such as levels of assurance, internal and external assurance providers, assuring the process versus assurance of the date, single versus piece meal opinions, etc.), were omitted from the paper. Furthermore, the paper focused on assurance providers rather than assurance itself. It was therefore questioned whether the proposed document was adding anything further to the debate, not already covered by the IIRC publications.

She suggested the purpose of the Awareness Paper would be useful to inform stakeholders about the IAASB Integrated Reporting WG and provide a brief overview of the current perceived assurance difficulties, the more detailed discussion of key assurance challenges to be set out in a later DP. She noted that the CAG suggested the Awareness Paper should be released after the IIRC publishes its feedback statement.

**WAY FORWARD**

The Integrated Reporting WG will further streamline the draft Awareness Paper in response to the CAG and Board's discussions, and seek feedback from the IAASB in advance of its publication. The paper will be released after the IIRC has released its feedback statement on its consultation.

**Activities since March 2015, IAASB Meeting**

5. Since the March Board meeting, the WG has had one physical meeting in March and two teleconferences in April and May and further liaised electronically. The WG has discussed the feedback from the March 2015 meeting and revised the Awareness Paper to respond to the feedback received from the IAASB and CAG. In addition the WG is analyzing in more detail the feedback that the IIRC received on its Discussion Papers and the impact on the proposed activities of the WG. Further, the WG has engaged with different stakeholders and invites practitioners, preparers, directors, investors and other relevant stakeholders to attend part of the WG's meetings to obtain further insight into the developments in integrated reporting and other emerging aspects in external reporting.

6. In addition to discussions with the IAASB and CAG, the Integrated Reporting WG has obtained views from the National Auditing Standard Setters and tabled the topic at the meeting with the Forum of Firms.

7. The WG has also interacted with the IIRC. The IIRC is compiling a feedback statement from the consultations on its Discussion Papers, “Assurance on <IR>: An introduction to the discussion” and a more technical paper “Assurance on <IR>: An exploration of issues” and its roundtables in partnership with various organizations around the world. In addition, the WG is currently compiling a detailed analysis of the response letters. This analysis will provide relevant information to the WG.

8. The WG has invited a preparer, investor and assurance practitioner to engage in a discussion with and inform the Board at the June 2015 meeting. The panel includes:
   - Fahra Joyce Haboucha, Rockefeller & Co
   - Mary O'Malley, The Prudential Insurance Company of America
   - Benjamin Miller, EY
Action Requested

9. The session includes a panel discussion to provide the IAASB with views and opinions about current developments in integrated reporting and other emerging aspects of external reporting from the perspective of an investor, a preparer and an assurance practitioner. The IAASB is asked to participate in the discussion and raise any questions they may have to experts in the field.

10. The WG will inform the IAASB about the follow up activities of the paper Exploring Assurance on Integrated Reporting and Other Emerging Aspects of External Reporting prepared by the WG and that was circulated earlier to the IAASB for a fatal flaw comment. Further the WG will update the Board on the feedback statement the IIRC prepared based on its consultation with stakeholders on the Discussion Papers referred to in paragraph 8. The IAASB is asked to share its views.

Material Presented

Agenda Item 13-A   Presentation: Integrated Reporting Working Group Update