

**Meeting:** IAASB Consultative Advisory Group  
**Meeting Location:** New York, USA  
**Meeting Date:** September 15-16, 2015

## Agenda Item

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### Integrated Reporting Working Group (IRWG)

#### Objectives of Agenda Item

1. To provide an update to Representatives and Observers on the activities of the IRWG and obtain their views on the issues identified and proposed way forward as identified in *Assurance Engagements with Regard to Integrated Reporting and Other Emerging Developments in External Reporting – Issues and Proposed Way Forward* (see **Agenda Item M.1**). The discussion of this topic will follow the structure of the IRWG Issues Paper included as **Agenda Item M.1**.

#### Project Status

2. The Appendix to this paper provides a history of previous discussions with the CAG and IAASB on this topic, including links to the relevant CAG documentation.
3. The following provides a brief summary of the IAASB's activities to date in relation to the topic of integrated reporting:
  - (a) September 2014 - Initiation of the IRWG. The Terms of Reference for the IRWG include monitoring the developing interest in integrated reporting and the demand for assurance on integrated reports. This included initial thinking on the nature of such engagements, including the scope of the assurance engagement, the suitability of the criteria, and other matters related to assurance on integrated reports.<sup>1</sup>
  - (b) December 2014 – Discussion at the IAASB meeting on the objectives, stakeholder engagement and proposed timeline as well as a Briefing Paper<sup>2</sup> summarizing some existing market research and investor and preparer surveys to date both with regard to integrated reporting and other emerging assurance issues.
  - (c) March 2015 – Discussion on the objectives, stakeholder engagement and Staff Awareness Paper with the CAG and on Staff Awareness Paper with the Board.

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<sup>1</sup> The IAASB Work Plan 2015-2016.

<sup>2</sup> IAASB December 2014 meeting - Integrated Reporting Working Group Briefing Paper – Agenda Item 10B *Integrated Reporting and Emerging Assurance Issues Relevant to IAASB* [http://www.ifac.org/system/files/meetings/files/20141201-IAASB-Agenda\\_Item\\_10-B-IRWG\\_Briefing\\_Paper\\_Market\\_Developments\\_Integrated\\_Reporting\\_and\\_Assurance.pdf](http://www.ifac.org/system/files/meetings/files/20141201-IAASB-Agenda_Item_10-B-IRWG_Briefing_Paper_Market_Developments_Integrated_Reporting_and_Assurance.pdf)

- (d) July 2015 – Issued Working Group Publication: *Exploring Assurance on Integrated Reporting and Other Emerging Developments in External Reporting*.<sup>3</sup>

### March 2015 CAG Discussion

4. Extracts from the draft minutes of the March 2015 CAG meeting on the discussion of Agenda Item E.1,<sup>4</sup> as well as an indication of how the IRWG or IAASB has responded to the Representatives' and Observers' comments are included in the table below.

Representatives' and Observers' Comments	Working Group/IAASB Response
ACTIVITIES AND STAKEHOLDER INTERACTION	
<p>Ms. de Beer noted that the importance of stakeholders may differ in this instance as assurance on integrated reporting was firstly to the benefit of investors and to a lesser degree the directors, who take legal responsibility for the Integrated Report. To this end, she suggested that it was critical for the IRWG to obtain a deeper understanding of what investors want with respect to integrated reporting and “comfort” or assurance thereon. She stressed the importance of the IRWG focusing more proactively on obtaining insights into investors' assurance needs versus what assurance practitioners are able to provide. Mr. Waldron agreed that it will be important for the IAASB to have a better understanding of the extent to which investors rely on integrated reports in their investment decision-making. Ms. Borgerth expressed support for the activities of the IRWG and suggested that it also interacts with the Corporate Reporting Dialogue (CRD) and other investor networks. Ms. Robert noted that FEE had jointly held a roundtable with the IIRC, and that it is clear that there is a great interest from investors broadly, but it remains to be seen what their needs are in relation to assurance.</p>	<p>Point accepted – The IRWG has invited investors to its meetings as well as an investor to the panel discussion with the Board at its June 2015 meeting. The IRWG intends to continue such dialogue.</p> <p><i>See <b>Agenda Item M.1</b> paragraph 4</i></p> <p>Ms. Kamp-Roelands noted that it was proposed to the IIRC that Mr. Gunn, Managing Director of Professional Standards, routinely participates in discussions with the CRD. She also noted that the IRWG considered the recent initiative of the World Business Council for Sustainable Development, who initiated a separate work stream on assurance on integrated reporting. Finally, Ms. Kamp-Roelands also noted that the IRWG had been surveying the landscape and updating the IAASB, and will continue to do so going forward.</p>
<p>Drawing from her experience in South Africa, Ms. de Beer pointed out that there were other parties, such as audit committees and directors, seeking comfort or assurance on integrated reports. She</p>	<p>Point noted – In developing its discussion paper the IRWG will include directors in the dialogue.</p>

<sup>3</sup> [www.iaasb.org/publications-resources/exploring-assurance-integrated-reporting-and-other-emerging-developments](http://www.iaasb.org/publications-resources/exploring-assurance-integrated-reporting-and-other-emerging-developments)

<sup>4</sup> The March 2015 IAASB CAG minutes will be approved at the September 2015 IAASB CAG meeting.

<p>suggested that the IRWG seek to better understand the needs of these parties as well.</p>	
<p>Ms. Miller added that it was important for the IAASB to include the IIA as a stakeholder, noting that the IIA recently published work in the area of integrated reporting. She also noted that internal auditors are also involved in providing a form of internal assurance on parts of integrated reports. Ms. de Beer agreed, and noted that internal auditors are one of the important internal assurance providers groups insofar as combined assurance on integrated reports is concerned.</p>	<p>Point noted – The IRWG has looked at the recent publication of the IIA in the area of integrated reporting, and its input to the IIRC discussions on assurance, and will include this stakeholder group in the dialogue on developing its discussion paper.</p>
<p>Ms. de Beer suggested that the IAASB further consider existing and ongoing academic research in this area as part of its information-gathering activities, and that the IAASB proactively engage the academic community on very specific research questions in relation to assurance on integrated reporting. She said that much research has been done on integrated reporting, however, not many studies focus on the assurance aspect thereof. To this end, commissioned research would be helpful.</p>	<p>Point accepted – The IRWG is aligned with academics who are exploring existing academic research as well as more pragmatic research such as from audit firms and international organizations working in this area.</p> <p>Ms. Kamp-Roelands highlighted that the IAASB would discuss two summaries of recently completed academic research on integrated reporting at its upcoming March 2015 meeting and that a new call for research would be issued soon, with integrated reporting highlighted as a key topic. Mr. Schilder explained that this research had been carried out in coordination with the International Association for Accounting Education and Research (IAAER) and provided further background on that initiative.</p>
<p>Ms. Borgerth suggested that the IRWG consider the feedback from the recent roundtables organized by the International Integrated Reporting Council (IIRC) and the national accountancy bodies as well as other organizations. Ms. Robert also asked for clarification as to how responses from the IIRC's two public discussion papers had been taken into account to date by the IRWG.</p>	<p>Point accepted – The IRWG has prepared a more detailed analysis in addition to the July 2015 published paper of the IIRC <i>Assurance on &lt;IR&gt;: Overview of Feedback and Call to Action</i>, to identify the impact on its further information-gathering activities.</p> <p>Ms. Kamp-Roelands noted that comment letters in response to the IIRC's discussions papers are publicly available. She highlighted that the IRWG will receive an overview of this feedback from IIRC staff as its upcoming IRWG meeting and a public feedback statement is expected later in March</p>

	2015, with close coordination expected going forward.
<p>Mr. James asked whether the IRWG considered the work of organizations other than the IIRC who contribute to the topic of integrated reporting and whether outreach had taken place with them, such as the Global Reporting Initiative (GRI) or the Sustainability Accounting Standards Board (SASB). In response, Ms. Borgerth noted that the IIRC is a multi-organizational platform in which all these organizations participate and that, by working with IIRC, the IRWG was in effect also working with those organizations. Mr. James acknowledged the point, but suggested that there was merit to the IAASB independently liaising with those organizations because, in his view, they seem to have competing agendas. Mr. Hansen agreed, but urged that the IAASB be cautious as it considers information promulgated by those organizations, in particular with respect to whether they have the authority to issue “standards”. By way of an example, Mr. Hansen noted that in the USA, there was an instance where an SEC Commissioner challenged the authority of standards issued by SASB.</p>	<p>Point accepted – in its information-gathering activities the IRWG is liaising with other organizations, such as the GRI and the World Business Council for Sustainable Development, who both issue guidance in this area that is internationally used.</p>
<p>Mr. Hansen noted that information from Audit Analytics, which surveyed the use of environmental, social and governance reporting, could be useful to the Integrated Reporting Working Group. Specifically, he noted this information has highlighted that assurance reports are being issued by non-practitioners, including engineers.</p>	<p>Point accepted – suggestions by the CAG on surveys form relevant input to the IRWG.</p>
<p>ANTICIPATED KEY MILESTONES</p>	
<p>Ms. de Beer noted that the planned timing for the release of the IAASB’s September 2014 Discussion Paper may be too ambitious. She noted that the IAASB needs to adequately inform itself on issues relevant to assurance on integrated reporting, inter alia, through academic research. While the &lt;IR&gt; Framework has more recently come into use, there is already a longer history on integrated reports being published and assured.</p>	<p>Point accepted – The IRWG has expanded the information-gathering activities it will undertake before issuing a Discussion Paper and has postponed the date of issuance to a period between March and June 2016.</p>

<p>Consideration of the levels of assurance given (or the lack thereof) on those reports would in itself be useful information for the IRWG.</p>	
<p>Mr. Koktvedgaard expressed a concern about the IRWG’s approach being too heavily focused on a specific reporting framework and the possibility of developing a topic-specific standard on assurance on integrated reporting. In his view, the IAASB should work to ensure that its assurance engagement standard (i.e. ISAE 3000 (Revised))<sup>5</sup> is sufficiently flexible to address both financial and non-financial information, and different levels of assurance, in order to accommodate what is being requested in the marketplace as it evolves rather than having separate topic-specific standards. As an example, Mr. Koktvedgaard noted the evolution of corporate social responsibility reporting now including more non-financial information and as part of integrated reports. He also questioned whether ISAE 3410<sup>6</sup> is being used in practice. Mr. Dalkin agreed, noting that the broader topic of sustainability presents challenges in terms of practitioners obtaining assurance. He added that the current suite of standards is very much focused on the audit of the financial statements. He suggested that the IRWG first investigate the demand for assurance and thereafter analyze the extant standards to identify any gaps in how they may be applied in those instances, in particular in relation to assurance on non-financial information. Mr. Koktvedgaard suggested it may be more appropriate for the IAASB to develop guidance to help practitioners navigate through the standards. Ms. de Beer suggested that the development of a document that is similar in nature to the Audit Quality Framework aimed at describing the stakeholders involved in integrated reporting and their specific roles in enhancing its quality and credibility may be a useful first step.</p>	<p>Point accepted – The IRWG is focusing on a discussion of assurance engagements that can be done reporting framework neutral.</p> <p>Point noted - Ms. Kamp-Roelands indicated that the suggestions about the need to identify gaps that exist in extant ISAE 3000 are important, noting some of the already known issues like providing assurance on narrative and forward looking information. Once further insight is obtained in the demand for assurance the IRWG will perform a gap analysis on the IAASB’s International Standards.</p> <p>Point noted – The use of ISAE 3410 may be considered along with the ISA implementation monitoring or explored via the IAASB-National Auditing Standard Setters.</p> <p>Point noted – The proposed way forward includes the suggestion made to first investigate the demand for assurance and thereafter analyze the extant standards to identify any gaps in how they may be applied in those instances, in particular in relation to assurance on non-financial information,</p>

<sup>5</sup> International Standard on Assurance Engagement (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*

<sup>6</sup> ISAE 3410, *Assurance Engagements on Greenhouse Gas Statements*

	<p>as well explore whether other guidance might be needed.</p> <p>Point noted – The IRWG has focused its efforts firstly on drafting a brief publication explaining the work of the IRWG. As a next step a document describing the stakeholders involved in integrated reporting and their specific roles in enhancing its quality and credibility may be prepared.</p>
<p>Mr. Fukushima noted that, in his view, the IIRC's Integrated Reporting framework does not represent suitable criteria and, as such, it would be premature for the IAASB to move forward in developing an assurance standard.</p>	<p>Point noted – The IRWG considers that the International &lt;IR&gt; Framework itself should be complemented by other criteria, to be described by the reporting organization in its own report.</p> <p>The assurance practitioner needs to establish that the combination of criteria used is suitable.</p>
<p>Mr. Yoshii noted that Japanese investors believe it is too early to explore assurance on integrated reporting. He observed that many companies within his jurisdiction (Japan) view integrated reporting as a way of enhancing the information value of their annual reports on a voluntary basis, which is welcomed by Japanese investors. He suggested that the subject matter of assurance be addressed when there is more consistency in how integrated reports are presented. It may therefore be too early to focus on developing standards for performing assurance engagements. Ms. de Beer cautioned against the development of assurance engagement standards too far ahead of reporting developments and in the absence of a clear understanding of investors' expectations.</p>	<p>Point noted – The IRWG is focusing first on mapping different options for the scope of the assurance engagement to facilitate the discussion with investors, amongst others. As the development of standards takes considerable time, the IRWG is firstly looking at the demand for assurance.</p>
<p>STAFF AWARENESS PAPER</p>	
<p>Ms. de Beer noted that the objective of the paper was not clear. In her view, raising awareness on integrated reporting extends beyond raising awareness about assurance-related matters and that the IRWG should be focusing on the latter. She noted that it was not clear in the paper to what end the IRWG is exploring assurance-related matters (e.g. assurance on the process of preparing an</p>	<p>Ms. Kamp-Roelands noted that one aim of the paper was to explain to assurance providers the flexibility that is possible in terms of obtaining assurance on integrated reports in accordance with the IAASB's extant standards (in particular, ISAE 3000 (Revised)). Ms. Kelsall added that the IRWG also was of the view that releasing the Awareness Paper now was a helpful way to demonstrate that</p>

<p>integrated report or on the elements within, the role of internal assurance providers, the notion of combined assurance, etc.). Ms. de Beer also noted that the paper seems to presume that external assurance on the full integrated report will be needed and does not sufficiently acknowledge the role of others in relation to integrated reports and obtaining comfort thereon. Ms. Lang and Mr. Waldron agreed that the objective of the paper was unclear, and encouraged the IRWG to reconsider the focus and audience as well as the length.</p>	<p>the IAASB is active and working in the area of integrated reporting.</p> <p>Point accepted – A brief paper was published in July 2015.</p>
<p>Ms. Lang also suggested the IRWG should not release the Awareness Paper until the IIRC publishes its Feedback Statement on its IIRC Discussion Paper and related roundtables and such information can be incorporated therein.</p>	<p>Point accepted – The IRWG publication was issued soon after the IIRC paper <i>IIRC Assurance on &lt;IR&gt;: Overview of Feedback and Call to Action</i> was released.</p>
<p>Mr. Muis, noted that the PIOB has been encouraging the IAASB to consider the topic of integrated reporting. He was interested in understanding whether discussions had taken place as to whether the profession is sufficiently competent to act in the integrated reporting space, and, whether the profession is strong enough to deal with the highly challenging issues that go with integrated reporting, such as the tradeoffs between socially relevant issues and the bottom line; and short-term and long-term thinking.</p>	<p>Point noted - Ms. Kamp-Roelands noted that, in addition to the IAASB's considerations in relation to assurance, broader discussions have taken place within IFAC with respect to integrated reporting, including discussions on what needs to be done to enhance the competence of professional accountants. The IRWG will include competence in its further deliberations too.</p>

## Matters for CAG Consideration

<p>1. Representatives and Observers are asked for their views on the proposed way forward set out in <b>Agenda Item M.1</b> including on:</p> <ul style="list-style-type: none"> <li>(a) Areas of focus in the IRWG's planned further information-gathering and analysis (see paragraphs 12–19);</li> <li>(b) The proposed way forward in developing the Discussion Paper, in particular the preliminary thinking in paragraph 25 (see paragraphs 20–30);</li> <li>(c) The objectives and possible content of the Discussion Paper (see paragraphs 32–33); and</li> <li>(d) The timeline (see paragraph 34).</li> </ul>
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## **Material Presented – IAASB CAG PAPERS**

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|-----------------|---|
| Agenda Item M.1 | Assurance Engagements with regard to Integrated Reporting and Other Emerging Developments in External Reporting – Issues and Proposed Way Forward |
| Agenda Item M.2 | Working Group Paper: Exploring Assurance on Integrated Reporting and other Emerging Developments in External Reporting                            |

## Project History

### Project: Integrated Reporting WG

#### Summary

	CAG Meeting	IAASB Meeting
Approval of Terms of Reference of Innovation WG	April 2013	April 2013
Updates / Briefings Innovation WG where topic of Integrated Reporting was discussed	March 2014	March 2014 June 2014
Discussion on Proposed Way Forward of the Innovation WG and the Initiation of the IRWG	September 2014	September 2014
Proposed Way Forward of the IRWG and Awareness Paper	March 2015	March 2015
Panel discussion		June 2015

#### CAG Discussions: Detailed References

<b>Approval of Terms of Reference Innovation WG</b>	<p><u>April 2013</u></p> <p>See IAASB CAG meeting material: <a href="http://www.ifac.org/sites/default/files/meetings/files/20130403-IAASB-CAG-Agenda_Item_G-3-INFO_TOR-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130403-IAASB-CAG-Agenda_Item_G-3-INFO_TOR-final.pdf</a></p> <p>See CAG meeting minutes (in Agenda Item G of the following): <a href="http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf">http://www.ifac.org/sites/default/files/meetings/files/April%202013%20IAASB%20CAG%20Public%20Minutes%20a%20Approved.pdf</a></p> <p>See report back on April 2013 CAG meeting (Agenda Item J.2): <a href="http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J2-Strategy_Report_Back-Final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130909-IAASB-CAG-Agenda_Item_J2-Strategy_Report_Back-Final.pdf</a></p>
<b>Updates / Briefings</b>	<p><u>March 2014</u></p> <p>See IAASB CAG meeting material: <a href="http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D-INFO_Integrated_Reporting-Cover-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D-INFO_Integrated_Reporting-Cover-final.pdf</a> <a href="http://www.ifac.org/sites/default/files/meetings/files/20130411-IAASBCAG-Agenda_Item_D1_INFO_WG_Presentation_WideScreen-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20130411-IAASBCAG-Agenda_Item_D1_INFO_WG_Presentation_WideScreen-final.pdf</a> <a href="http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D2-INFO_Integrated_Reporting_and_Assurance_Briefing_Paper-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20140311-IAASBCAG-Agenda_Item_D2-INFO_Integrated_Reporting_and_Assurance_Briefing_Paper-final.pdf</a></p> <p>See CAG meeting minutes (Agenda item D): <a href="http://www.ifac.org/sites/default/files/meetings/files/20140908-">http://www.ifac.org/sites/default/files/meetings/files/20140908-</a></p>

	<p><u><a href="#">Agenda Item B- IAASB CAG March 2014 Meeting Minutes Marked for CAG Rep Feedback-final.pdf</a></u></p> <p>See report back on March 2014 CAG meeting (Agenda Item E): <u><a href="http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E-Innovation_WG_Report_Back_Cover-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E-Innovation_WG_Report_Back_Cover-final.pdf</a></u></p> <p><u>September 2014</u></p> <p>See IAASB CAG meeting material: <u><a href="http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E.1-Innovation_WG_Presentation-final.pdf">http://www.ifac.org/sites/default/files/meetings/files/20140908-IAASB_CAG-Agenda_Item_E.1-Innovation_WG_Presentation-final.pdf</a></u></p> <p>See report back on September 2014 CAG meeting in paragraph 4 of Agenda Item E. <u><a href="http://www.ifac.org/system/files/meetings/files/20150309-Agenda_Item_E-Innovation_WG_Report_Back_Issues-final.pdf">http://www.ifac.org/system/files/meetings/files/20150309-Agenda_Item_E-Innovation_WG_Report_Back_Issues-final.pdf</a></u></p> <p><u>March 2015</u></p> <p>See IAASB CAG meeting material <u><a href="http://www.ifac.org/system/files/meetings/files/20150309-IAASB-CAG-Meeting-Agenda_Item_E.1-Integrated_Reporting-CoverNote-Clean_final.pdf">http://www.ifac.org/system/files/meetings/files/20150309-IAASB-CAG-Meeting-Agenda_Item_E.1-Integrated_Reporting-CoverNote-Clean_final.pdf</a></u> <u><a href="http://www.ifac.org/system/files/meetings/files/20190309-IAASB-CAG-Agenda_Item_E.2_IR_Awareness_Paper-final.pdf">http://www.ifac.org/system/files/meetings/files/20190309-IAASB-CAG-Agenda_Item_E.2_IR_Awareness_Paper-final.pdf</a></u></p>
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