



THE PRINCE'S ACCOUNTING
FOR SUSTAINABILITY PROJECT



Press Release

Formation of the International Integrated Reporting Committee (IIRC)

Strictly embargoed until 10am BST on 2nd August 2010

The Prince's Accounting for Sustainability Project (A4S) and the Global Reporting Initiative (GRI) announced today the formation of the International Integrated Reporting Committee (IIRC).

The world has never faced greater challenges: over-consumption of finite natural resources, climate change, and the need to provide clean water, food and a better standard of living for a growing global population. Decisions taken in tackling these issues need to be based on clear and comprehensive information; but, as The Prince of Wales has said, we are at present “battling to meet 21st century challenges with, at best, 20th century decision making and reporting systems.”

The IIRC's remit is to create a globally accepted framework for accounting for sustainability. A framework which brings together financial, environmental, social and governance information in a clear, concise, consistent and comparable format - put briefly, in an “integrated” format. The intention is to help with the development of more comprehensive and comprehensible information about an organization's total performance, prospective as well as retrospective, to meet the needs of the emerging, more sustainable, global economic model.

The IIRC brings together a cross section of representatives from civil society and the corporate, accounting, securities, regulatory, NGO, IGO and standard-setting sectors. It comprises a Steering Committee and a Working Group. The Steering Committee is chaired by Sir Michael Peat, Principal Private Secretary to TRH The Prince of Wales and the Duchess of Cornwall, with Professor Mervyn King, Chairman, King Committee on Corporate Governance and Chairman, Global Reporting Initiative, as Deputy Chairman. The Working Group has co-chairmen: Paul Druckman, A4S Executive Board Chairman, and Ian Ball, Chief Executive Officer, International Federation of Accountants. The role of the IIRC is to respond to the need for a concise, clear, consistent and comparable



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1. What is the underlying issue we face?

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

2. What is the purpose of the IIRC?

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

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

3. What is the role of the IIRC?

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

The role of the IIRC is to:

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

4. Who is behind this?

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

5. How has the IIRC been established?

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

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

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

A full list of the members of each group is attached in Appendix 1 and further information on the IIRC can be found at www.integratedreporting.org

APPENDIX 1

IIRC Steering Committee

List of members

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

IIRC Working Group

List of members

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

integrated reporting framework, reflecting the organization's strategic objectives, governance and business model, and integrating both financial and non-financial information.

Every publicly listed company is required to file an annual report on its financial performance in compliance with, in most cases, either International Financial Reporting Standards (IFRS) or U.S. Generally Accepted Accounting Principles (U.S. GAAP). Increasingly companies are also producing, mostly on a voluntary basis, corporate social responsibility or sustainability reports but these can vary widely in terms of relevance and quality, largely because there is no global standard for measuring and reporting on environmental, social and governance performance.

“To make our economy sustainable we have to relearn everything we have learnt from the past. That means making more from less and ensuring that governance, strategy and sustainability are inseparable” said Professor Mervyn King, Chairman of the GRI. “Integrated Reporting builds on the practice of Financial Reporting, and Environmental, Social and Governance - or ESG - Reporting, and equips companies to strategically manage their operations, brand and reputation to stakeholders and be better prepared to manage any risk that may compromise the long-term sustainability of the business.”

Sir David Tweedie, Chairman of the International Accounting Standards Board, said “The case for globally consistent financial reporting standards is well understood and accepted. It is appropriate to apply the same global approach to other aspects of corporate reporting. This initiative represents an important step on that journey.”

Ian Ball, CEO of the International Federation of Accountants said “The goal of the IIRC is not to increase the reporting burden on companies and other entities. Rather, it is to help them and all their stakeholders make better resource allocation decisions. All of us have a stake in a sustainable society. While integrated reporting alone cannot ensure sustainability it is a powerful mechanism to help us all make better decisions about the resources we consume and the lives we lead.”

Jane Diplock, Chairperson, Executive Committee of the International Organization of Securities Commissions, said, “I believe we will look back on the creation of this Committee as a turning point in the development of corporate reporting.”

A list of the members of the Steering Committee and Working Group is attached and further information on the IIRC can be found at www.integratedreporting.org.

NOTES TO EDITORS

The Prince's Accounting for Sustainability Project (A4S)

Climate change and the over-consumption of finite natural resources present significant risks that will have a profound impact on society and the economy. The A4S project was launched in 2004 by HRH The Prince of Wales to develop decision-making and reporting systems that take into account the longer-term and broader consequences of actions and are capable of responding to the sustainability challenges faced in the 21st century. A4S works with businesses, investors, governments, accounting bodies, civil society and academics to build an international consensus around the need for a generally accepted integrated reporting framework and to develop practical guidance and tools to embed sustainability into decision-making processes.

Global Reporting Initiative

The Global Reporting Initiative has pioneered the development of the world's most widely used Sustainability Reporting Framework and is committed to its continuous improvement and application worldwide. This framework sets out the principles and indicators that organizations can use to measure and report their economic, environmental and social performance.

For more information, please contact:

Clarence House Press Office, +44 (0) 20 7024 5506

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