
Integrated Reporting and Connectivity Council

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Contacts ircc@ifrs.org

Welcome

1. The Chair welcomed members and guests to the meeting and highlighted the timeliness and relevance of the discussions in view of the forthcoming ISSB Agenda Consultation, which will include a section on 'integration in reporting'. The Chair commented that this would be the first time IRCC members would have the opportunity to comment formally on the future of the Integrated Reporting Framework and he encouraged members (and their networks) to submit comment letters.
2. The Chair also reflected on the significant progress made since the last meeting, all of which had been recorded in the progress report circulated in advance of the meeting. This report highlighted 26 areas of progress against KPIs established at the time of the consolidation. Significant developments include the use of the IR Framework's principles and concepts in ISSB S1, the technical analysis of the IR Framework and Management Commentary and the first ever discussion on integrated thinking and reporting at the February 2023 IFRS Foundation Trustees' meeting.

Progress from IASB and ISSB

3. Andreas Barckow stated that users can adopt the IR Framework with confidence as no immediate change to the IR Framework is anticipated. In the meantime the IASB will draw on the IR Framework where possible. There is an ongoing Management Commentary project this is paused until the results of the Agenda Consultation are available. A comparison between the Management Commentary and IR Framework has been developed that has been shared with the Advisory Council and ASAF to hear the thoughts of stakeholders. In March 2023 the IASB announced a narrow scope project to review climate-related risks in the financial statements. This project will draw on S1 and S2 to examine if any refinements are required. This is an example of connectivity in action between the Boards.
4. Emmanuel Faber spoke about how the discussion around has changed since 2022 when he and Andreas signed their first joint statement in support of the IR Framework. The notion of integrated thinking is embedded mechanically in S1. In addition the definition of materiality has been borrowed directly from the IASB demonstrating connectivity. The dynamic nature of materiality is consistent with the content of S1 that value is stored in capitals that are transformed through the

business model. Materiality is dynamic over time and through the business model. In December 2022 the ISSB Board decided to refer to the IR Framework and integrated thinking in the first few paragraphs of S1.

5. Emmanuel also spoke about the ISSB Agenda Consultation to be released shortly. The results of this will direct the work programme for the ISSB to around 2026. One of the proposed work programmes relates to integrated reporting. Various options are suggested to progress the IR Framework and the Management Commentary project. The IRCC members were again encouraged to provide responses.

Investor Panel

6. Suresh Kana, IFRS Foundation Trustee and IRCC Vice-Chair chaired an investor panel, comprising Clara Barby (Just Climate), David Atkin (PRI) and George Iguchi (Nissay Asset Management). Key points from the discussion include:
 - (a) Evidence of integrated thinking is essential – an integrated report should reflect the quality of integrated thinking – in this sense, integrated reporting demands integrated thinking.
 - (b) Investors value integrated reporting – where companies are not using the Framework, investors have to fill in the information gaps and the Framework is a useful tool for this process.
 - (c) Integrated reporting strengthens the quality of corporate governance and the quality of regulatory reports and filings – it is a discipline that provides insight into board thinking and decision-making.
7. The investor panel also highlighted an area of potential opportunity for the IFRS Foundation by continuing to be a consolidator of disclosure standards and frameworks, addressing remaining market concerns about an ‘alphabet soup’ and further demonstrating its commitment to simplification of the corporate reporting system.

Topical briefings

8. Sue Lloyd introduced the Agenda Consultation document which would be released soon to seek feedback from the market on the topics to be included in the workplan for the ISSB over the next two years. Three of the topics will be sustainability-related topics beyond S2 and specifically, biodiversity, ecosystem and ecosystem services, human capital, and human rights. Lastly, the fourth project is on integration in reporting.
9. Sue explained that the IFRS Foundation had already done a lot of work on connectivity to create connections between sustainability reporting and the financial

statements. Given the developments already, what can the Board do that is incremental and elevates and integrates the reporting as required by the two Boards?

10. The IFRS Foundation require feedback from stakeholders to see if integrated thinking should be seen as a fundamental part of a more integrated approach to integrated reporting that is important to them and the priority of that work against developing the suite of sustainability standards.
11. Technical Directors Yulia Feygina and Laura Girella presented an analysis comparing the IR Framework and Management Commentary Exposure Draft, highlighting the most significant similarities and differences between the two documents. The conclusion was that while there are many more similarities than differences, there are some real and perceived differences, for example in clarifying the responsibility of those charged with governance (typically the board of directors) in overseeing the reporting process and integrated thinking.

Breakout discussions

12. The Chair introduced the following questions for the breakout groups. Members were allocated to four groups with a facilitator and note taker for each group.

Integrated Reporting: In considering the areas of difference between the IR Framework and Management Commentary, how would you recommend these inconsistencies be resolved? What advice would you offer in further embedding the principles and concepts of the IR Framework in IFRS Foundation materials?

Integrated Thinking: How should the IFRS Foundation position and advocate for integrated thinking as part of its role in promoting greater connectivity in reporting within a comprehensive corporate reporting model?

13. The following comments were made in the breakout discussions and reported by the facilitators for each group.
 - (a) integrated reporting brought a unique focus on integrated thinking and amplified the responsibilities of the board.
 - (b) integrated thinking provided an opportunity for the IFRS Foundation to amplify its value proposition to company boards.
 - (c) there was clear support for both boards working together to develop a corporate reporting framework.
 - (d) IFRS standards would be reinforced by a global framework and bring greater cohesion to the corporate reporting system as a whole.

- (e) There was support for moving quickly to align the IR Framework and Management Commentary to reduce both the risk of regional fragmentation and the reporting burden on business.
- (f) The need for both boards to work together – a strong feeling was expressed that, in order to achieve a single corporate reporting framework a joint approach by the IASB and ISSB would be required. This would lead to the optimal outcome of one report over which the company board would have responsibility.
- (g) Clarity around the IFRS Foundation’s vision for a settled end-state for the Integrated Reporting Framework – there remain several possible end-states for the Integrated Reporting Framework and this lack of clarity is causing confusion. Clarity on an end-game vision is needed, both for those companies adopting the Framework currently and to drive forward the broader eco-system (such as assurance and internal assurance) which provide confidence in the system. This would also allow for the fundamental objectives of corporate reporting to be identified and communicated clearly. Such clarity would also improve the quality of the Boards’ engagement with stakeholders as well as the quality of stakeholder responses to consultations.
- (h) ***An increased focus on integrated thinking*** – integrated thinking is seen as foundational to the success of our overall strategy. Integrated thinking, concerning how the business is run, is distinct both from standards and the Management Commentary, yet it is core to their success. IRCC members recommend that the IFRS Foundation develops education materials on integrated thinking as the basis for stronger market engagement.
- (i) ***Important to align language and definitions to create greater cohesion*** – from an investor perspective it is viewed as critical to align language and definitions across the two boards in order to provide connections between accounting and sustainability disclosures and a coherent reporting package for the markets. Integrated reporting is essential in securing that increased coherence.

Closing comments

14. The Chair thanked the meeting members for their contributions and closed the meeting.