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## Integrated Reporting and Connectivity Council

Date **9 November 2023**

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## Welcome

1. The Chair welcomed members and guests to the meeting.
2. The Chair reflected on the passing of Ian Macintosh. Ian supported the IIRC over a long period of time and contributed significantly to the development of integrated reporting. Bob Herz supported this view and shared he knew Ian over a long time both as a standard setter and as a supporter of integrated reporting and CEO of the Corporate Reporting Dialogue.

## Progress report from ISSB and IASB

3. Emmanuel Faber stated the progress made on integrated thinking and reporting was greater than might have been expected when the consolidation with the IFRS Foundation had been agreed. References to papers by Accountancy Europe and IFAC provided in the meeting papers dated back to 2020 and there had been impressive development since that time.
4. Emmanuel also discussed the two ways that the ISSB is working closely with the IASB. Firstly, the two Boards held their first joint internal discussion earlier in 2023 and there will be a public joint Board meeting in January 2024. This recognises the unique position of the IASB and ISSB being under the umbrella of the IFRS Foundation. There are regular touch points and monthly leadership meetings between the two boards despite not sharing offices in the same location.
5. Secondly, IFRS S1 has been developed using the library of concepts from accounting standards and embeds a connection with the technical work of the IASB. The IRCC members are invited to look at the second paragraph of IFRS S1<sup>1</sup> that describes

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<sup>1</sup> IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information  
Information about sustainability-related risks and opportunities is useful to primary users because an entity's ability to generate cash flows over the short, medium and long term is inextricably linked to the interactions between the entity and its stakeholders, society, the economy and the natural environment throughout the entity's value chain. Together, the entity and the resources and relationships throughout its value chain form an interdependent system in which the entity operates. The entity's dependencies on those resources and relationships and its impacts on those resources and relationships give rise to sustainability-related risks and opportunities for the entity.

integrated thinking. This puts integrated reporting at the core and is also referenced in guidance and Basis for Conclusions.

6. Paragraph 2 of IFRS S1 connects with many aspects of the materiality assessment to determine how to include impact into the value creation mechanism to reflect dynamic materiality.
7. The scope for corporate reporting for the ISSB includes general purpose financial reporting for an investor audience and not a multi stakeholder focus but there is recognition that ISSB Disclosure Standards can serve a useful purpose for other stakeholders.
8. There has been an announcement today of the formation of a Sustainability innovation Lab to be hosted by GRI in partnership with the IFRS Foundation to reduce the burden for companies required to report using both GRI and ISSB Disclosure Standards and will be based in Singapore.
9. Andreas Barckow said that the joint Board meeting in January 2024 will discuss part of the ISSB's Agenda Consultation which included a question on integration in reporting and the feedback to that question will be jointly discussed by the two Boards in a public session.
10. The IASB deliberately paused any further discussion on Management Commentary as there had been a clear message from responses to the Management Commentary Exposure Draft to wait until the ISSB had considered its work programme. The project will be reinstated and then deliberated early in 2024.

### **A vision for comprehensive corporate reporting – the role of integrated thinking and reporting**

11. Charles Tilley (Chair) introduced the topic of comprehensive corporate reporting to be discussed in the breakout session. The IIRC had considered what a comprehensive corporate reporting system might look like and how the principles and concepts of integrated reporting fit within that system.
12. The break out groups were asked to consider the following questions;
  - (a) How should Integrated Reporting and Integrated Thinking be considered in the near term to assist the Foundation and the boards?
  - (b) How should Integrated Reporting and Integrated Thinking be leveraged in the longer-term to support the future vision for comprehensive corporate reporting?

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- (c) How could the reporting of information be improved to better serve the needs of investors?
  - (d) What is the ideal 'relationship' between information in the financial statements and broader investor-relevant information (such as the sustainability-related financial information required by the ISSB)?
  - (e) What should the 'package' of information look like - is there an ideal format and if so what is it and why? How do we deal with different regulatory regimes?
  - (f) How should the reporting set out in IASB and ISSB standards ideally be used to support this vision? What about when a jurisdiction doesn't use IFRS both for financial statements and sustainability reporting?
  - (g) How do we deal with meeting investor needs while also taking into consideration the needs of other stakeholders? What does that mean for the reporting package?
13. The following comments were made in the breakout discussions and reported by the facilitators for each group
- (a) 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.
  - (b) 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.
  - (c) Connectivity between the accounting standards from the IASB and sustainability standards from the ISSB is important. Some comments suggested that the IASB needs to explain how the IASB standards connect and are consistent with the ISSB standards.
  - (d) Some comments suggested the IASB's management commentary project should be completed as it already includes concepts and principles from the integrated reporting framework. Other comments suggested the management commentary project should be abandoned in favour of the integrated reporting framework.
  - (e) There were different views on the speed to proceed towards connectivity between IASB and ISSB Standards. From a preparer perspective, the sooner the better to reduce the burden of reporting to numerous frameworks. From a regulatory perspective there was a note of caution to avoid any unintended consequences of

moving too fast. If the IFRS Foundation can indicate the long-term vision and strategy for connectivity then this would allow a more considered approach.

### **IFRS Foundation Trustee perspective**

14. Suresh Kana provided an update from a Trustee perspective. Firstly, the Trustees see the two Boards of ISSB and IASB working well together and connectivity is coming through very strongly. Secondly, while integrated reporting is known very well in some jurisdictions it is not known in all jurisdictions. Jonathan Labrey gave a presentation on integrated reporting and integrated thinking to the Trustees which was well received.
15. The big questions are on interoperability and ensuring the global adoption for S1 and S2.

### **10<sup>th</sup> Anniversary webinar**

16. December 2023 represents a decade since the launch of the Integrated Reporting Framework. It is intended to launch a webinar to recognise the story of development of the framework and reflect the wide ranging companies that prepare integrated reports and investors that examine them for their valuation work.

### **Address by Kevin Dancey**

17. Kevin Dancey steps down as CEO of IFAC at the end of 2023. Charles Tilley asked Kevin for his reflections.
18. Kevin shared his long-standing support for integrated reporting. IFAC supports global standards and the ISSB and have been supporters of integrated reporting and an integrated mindset (integrated thinking). Connectivity between IASB and ISSB boards is very important to support good corporate reporting despite being in different stages of development with one core vision. Integrated reporting can provide the link connectivity. The building blocks concept can be used as an analogy by both Boards.

### **Business Leaders Panel**

19. Charles Tilley (Chair) chaired a Business Leaders panel of Robert Swaak (ABN AMRO), Alexandro Broedel Lopes (Itau Unibanco), and Izumi Kobayashi (ANA< OMRON, Mizuho Financial Group). Key points from the discussion include;
  - (a) Over time, the adoption of integrated reporting becomes embedded into the core management of business so that integrated thinking is part of the day to day part of running a business. It makes it easier to identify strategy and understanding the value creation process within the business.

- (b) In Japan, integrated reporting started with a focus on integrated reporting without integrated thinking but that is now changing as its benefits are being recognised leading to clearer discussions at Board level.
- (c) Integrated reporting makes it easier to understand the purpose of the business as it relates to investors and other stakeholders.
- (d) Discussion with investors has traditionally been focussed on financial statement indicators but recently this has changed. Sustainability measures are being incorporated into operational risk and opportunities decisions and this is now being shared with investors. Investors do not always understand all the issues affecting the business and an integrated report opens up the opportunity for an explanation.
- (e) There needs to be convergence between ISSB requirements and the impact on the accounting standards to make the information comprehensible and comparable. Integrated reports created from an integrated thinking mindset within the business provide the opportunity to present an integrated view.
- (f) Convergence of standards will result in comparable standards but there is a risk that this will transform into a compliance exercise or an excess of information which is to be avoided.

### **Closing comments**

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

### **Appendix**

IRCC members may find the following web links useful;

- 21. A recording of the IRCC meeting apart from the breakout group discussion can be found [here](#)
- 22. Accountancy Europe paper on Interconnected Standard Setting for Corporate Reporting can be found [here](#)
- 23. IFAC paper on Enhancing Corporate Reporting: The Way Forward can be found [here](#)
- 24. A translation of Emmanuel Faber's article in Le Monde titled The Battle of Extra Financial Standards will not Happen can be found [here](#) on LinkedIn

Announcement by IFRS Foundation of establishment of Sustainability Innovation Lab by GRI in partnership with the IFRS Foundation can be found [here](#)