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## Integrated Reporting and Connectivity Council (IRCC)

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This document is prepared as a summary of a public meeting of the Integrated Reporting and Connectivity Council an advisory body of the IFRS Foundation. The IRCC provides advice on how reporting required by the IASB and the ISSB should be integrated and on how principles and concepts from the Integrated Reporting Framework should be considered in relevant projects by the IASB and the ISSB.

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## Welcome

1. The Chair (Charles Tilley) welcomed members and guests to the first IRCC meeting of 2024, highlighting that the session will focus on 'integration in reporting' one of the four proposed projects from the ISSB's Agenda Consultation Request for Information (RFI).
2. The Chair reflected on the first ever joint board meeting between the IASB and the ISSB that took place on the 25<sup>th</sup> of January 2024 which demonstrated the connectivity between the two boards in action. Charles went on to reiterate that the joint board meeting was not a decision-making session and that the boards expressed their support for the continued adoption of the Integrated Reporting Framework and Integrated Thinking.
3. The Chair described the purpose of the meeting for members noting the continued importance of integrated reporting and thinking in the changing landscape for businesses. The purpose of the meeting was defined as an opportunity for IRCC members to reflect on the feedback received on the ISSB's RFI and to provide their advice to both boards on the short-, medium- and long-term vision for integrated reporting and integrated thinking in the context of that feedback.

## Reactions on the joint IASB-ISSB meeting of 25 January 2024, including next steps

4. Sue Lloyd (Vice-Chair of the ISSB) thanked members for their attendance and feedback to inform the next steps for the IFRS Foundation, and thanked the staff of the IASB and ISSB for working collaboratively to ensure both boards had a clear analysis of the feedback received on the RFI.
5. Ms Lloyd gave her reflections on the discussion between the IASB and ISSB in their joint meeting:
  - (a) The meeting was an opportunity to emphasise the connectivity between the IASB and ISSB, demonstrating how the boards are already connected in their processes and standard-setting work. Importantly, this differs from integrated reporting and discussions concerning if the boards need to go further to build on the Integrated Reporting Framework, Integrated Thinking and the IASB's Management Commentary Exposure Draft.
  - (b) The boards' conversation on the proposed 'integration in reporting project' provided the first opportunity for both boards to have a joint technical discussion, reviewing feedback to the ISSB's RFI that was useful for both boards. For the ISSB this will feed into decisions on their next two-year work plan and for the IASB it was a chance to receive further feedback concerning the Management Commentary project.

- (c) The meeting highlighted appreciation and support from both boards to the integrated reporting community for advancing thinking in this sphere and the benefits the IFRS Foundation have gained from inheriting the Integrated Reporting and Thinking resources through its consolidation with the Value Reporting Foundation (VRF). There was a clear message from both boards regarding the importance of thinking about integration in reporting and the evolution in corporate reporting the boards are seeing, while being cognisant of the scale of the task for entities as they embark on use of the ISSB Standards. It was noted in the meeting that when discussing work on integration in reporting, it is a question of when to undertake that work and not a question of whether integration in reporting is a good idea.
6. Ms Lloyd detailed the next steps from the ISSB's perspective highlighting how feedback from the IRCC members on the RFI feedback will help inform the ISSB's deliberations on their next two-year work plan and the prioritisation of projects in that work plan.
7. Andreas Barckow (Chair of the IASB) echoed the points made by Ms Lloyd regarding the first joint board meeting and the importance of integration in reporting, as described in the ISSB's RFI, and the Integrated Reporting Framework that was inherited through the consolidation with the VRF. Mr Barckow made the following comments:
- (a) The ISSB's RFI was intended to inform the ISSB's priorities for its next two-year work plan only.
- (b) The IASB has placed its Management Commentary project on hold awaiting the creation of the ISSB. Mr Barckow emphasised the benefit of the joint board meeting from an IASB perspective. The joint meeting provided input to the IASB from the wider reporting community and highlighted the diverse views about integration in reporting and narrative reporting from those stakeholders with a traditional financial reporting background and those coming from the sustainability reporting viewpoint.
- (c) The IASB will not make a decision on the Management Commentary project before the ISSB has decided on their two-year work plan. Mr Barckow pointed to a paper that was presented to the IASB in December 2023 ([IASB Management Commentary Project Update](#)) that laid out several potential ways the project could progress, none of which conflict with integrated reporting. Even if the Management Commentary project were to be finalised by the IASB it should be seen as a stepping stone towards integration in reporting and integrated reporting and the project would not be completed in isolation from the ISSB.
- (d) Mr Barckow summarised potential options presented to the IASB for the development of the Management Commentary project:
- i. Continuing the project as an IASB-led project using the rich feedback provided to their 2021 consultation which suggested specific updates to the Management Commentary Exposure Draft, including the introduction of a section on governance and refining the language of the document. This could include initiating further market engagement.
  - ii. Delaying the development of the Management Commentary project if the ISSB determines they will focus on the development of topical standards during its two-year work plan but aims to work on integration in reporting after this period. In three years, the IASB will be starting its next Agenda Consultation and could decide it would be wise to wait until then to continue its work on Management Commentary.
  - iii. Aborting the Management Commentary project entirely which would have more significant implications as the IASB has an existing Management Commentary Practice Statement.

8. Ms Lloyd stated that it was clear from the joint board meeting that a lot of stakeholders are interested in connectivity and that both boards demonstrated several examples of the connectivity that already exists between the boards in action. In terms of the connectivity of information from the ISSB's perspective, there are already pointers towards integrated thinking and the connectivity of information embedded within IFRS S1 and IFRS S2. This hasn't been reflected in the reporting yet as IFRS S1 and IFRS S2 are yet to be applied but ideas from the Integrated Reporting Framework are rooted in the first few paragraphs of IFRS S1 as part of explaining the objective and focus of the ISSB Standards. The ISSB will continue to point to these sections in their communications while the staff are working to provide examples of integrated reports that are populated with the information required by IFRS S1 and IFRS S2. This will be one of the most powerful messages demonstrating how valuable this type of reporting is.
9. Linda Mezon-Hutter (Vice-Chair of the IASB) emphasised there were two points from the joint board meeting that most stakeholders agreed upon. Firstly, stakeholders and members of both boards want the two boards to work together. There may be different expectations of the mechanisms and processes for how this occurs but there is agreement that the boards should collaborate. Secondly, there is a wide range of views on what integration in reporting is but there was widespread support for integrated reporting, which reflected that stakeholders did not question 'what' should be done relating to integration in reporting but commented more on 'how' this should be done and 'when', that is over what timescale this can be actioned.

### Breakout Group Discussions

10. 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.
  - (a) Having considered the stakeholder feedback received what are your reflections/observations in light of the responses received?
  - (b) In light of the stakeholder feedback to the agenda consultation, what advice would you provide to the IASB, ISSB or IASB-ISSB jointly over a) the short-term; b) the medium-term; and c) the long-term?
11. The following points provide a summary of comments made by members in the group discussion. The comments ranged several topics including:

#### ***Timing and Vision***

- Several members agreed that it was important to focus on implementing IFRS S1 and IFRS S2 in the short term.
- Several members asked for clarity to understand what is meant by short, medium and long-term. An agreement on timeframes can remove confusion and create agreement on strategic planning.
- One member said that transparency is required in the short-term to understand the intention and direction for the IR resources.
- Several members asked for greater clarity on the long-term vision for the IFRS Foundation. Integrated reporting could be the ultimate vision but how do we get there?
- One member noted that both boards are moving at a different pace, and this is acceptable if we can understand the ultimate goal.
- A member suggested that from a process perspective we need a long-term priority from the IFRS Foundation, then we can build in the annual, short-term plan and medium-term plan by working back from the long-term objectives.

### ***Integrated Thinking***

- Businesses can no longer think in silos, and this means there is a greater urgency on the necessity for Integrated Thinking to help businesses to develop a holistic view.
- There are concerns within India that two years is too long to wait for the IFRS Foundation to work on integrated thinking.
- There were several comments from members that if integrated thinking can be a platform for the work of the two boards that could be helpful and drive connectivity between disclosures from the IASB and ISSB. Integrated thinking can help businesses to understand the interaction between sustainability-related risks and opportunities and the financial statements and lead to reporting that better connects the 'front end' and the 'back end' of the annual report.

### ***The Management Commentary project***

- One member suggested the IASB should abort the Management Commentary project as very few companies currently report using the existing Management Commentary Practice Statement.
- Another member suggested that some of the Integrated Reporting Framework could be incorporated within the Management Commentary project, and it should be a general standard that looks at the prospects, risks and opportunities of a reporting entity.
- Alternatively, one member suggested if the IASB goes ahead with the Management Commentary project, integrated thinking could be incorporated into that work as well as governance.
- One member suggested there needs to be a coordinated approach between the two boards leveraging both the Management Commentary project and the Integrated Reporting Framework.
- One member stated a view that finalising the Management Commentary project would support connectivity in reporting but would not achieve integration in reporting.

### ***Connectivity***

- There were several suggestions by members for the IFRS Foundation to develop a conceptual framework which would require the two boards work together. A few members suggested that this was something that should be worked on in the short-term.
- One member commented that even though the RFI did not ask any questions on connectivity, people chose to comment on that which indicates that it is important and urgent.
- There is a demand for guidance for preparers and auditors on how sustainability-related issues can be reflected in general purpose financial reports, including the financial statements. There are clear and imminent problems that are being faced by companies now such as disclosures on human capital and biodiversity. The IFRS Interpretations Committee is considering a question related to commitments to reduce or offset greenhouse gas emissions.
- Several members asked for a joint working group between the IASB and ISSB to talk about connectivity and integration in reporting.
- There is still work to do in connecting sustainability-related financial disclosures and the financial statements in practice, ensuring the connection of information goes both ways, not just from the sustainability-related financial information to the financial statements.
- One member asked whether from a longer-term vision perspective, impact reporting fits into the picture? Might there be an argument for combining financial statements and sustainability-related financial disclosures, which could lead to impact adjusted financial statements?
- Several members emphasised in the short term the focus of the ISSB should be on the adoption of IFRS S1 and IFRS S2 which includes adopting integrated thinking as a precursor for integrated reporting.
- One member expressed a view that the IASB's education material on climate reporting is not being implemented correctly. The boards need to talk to regulators and the IR community about the existing resources before pursuing new projects and Standards that may not be implemented correctly.

**Capacity building/guidance**

- One member asked for the IRCC to advocate for IFRS S1 as a step towards its long-term vision of integrated reporting.
- One member requested more research to think about how the implementation of IFRS S1 and IFRS S2 will impact integrated reporting.
- Several members urged the ISSB to develop guidance on the meaning of integration in reporting and on the link between IFRS S1 and integrated reporting as this is fundamentally important. Progress will only be as fast as preparers are implementing IFRS S1 and IFRS S2. Application guidance should be the priority in the short term rather than adopting a project on integrated reporting.
- One member explained integrated reporting can be used to locate IFRS S1 and IFRS S2 disclosures using integrated thinking which is a window into the business.
- One member suggested there needs to be interoperability between the ISSB and local regulations, including using the Integrated Reporting Framework to reduce confusion in the market.

**Closing Reflections**

12. The Chair handed the floor to the attending ISSB and IASB members to provide their thoughts on the group discussions.
13. Mr Barkow noted that the Management Commentary was intentionally made as a practice statement rather than a standard as the IASB believed it would be challenging to gain support to include the Management Commentary as part of the mandatory compliance statement for applying IFRS Accounting Standards.
14. Mr Barkow explained that the IASB has not deliberated whether the Management Commentary project could lead to a standard but also pointed out that globally many jurisdictions require companies to produce a narrative report, MD&A or management commentary style document through their local regulatory legislation. This is a legal requirement in many of these jurisdictions and the IFRS Foundation is not the regulator; therefore, it is not its role to determine what framework these jurisdictions use for their narrative reporting. The IFRS Foundation's role may be to fill a gap in the reporting literature where guidance is not currently meeting the needs of the market in this area.
15. Ms Lloyd provided members with her thoughts on the feedback provided by the IRCC members, including the positive messages on the support for the adoption of IFRS S1 and IFRS S2 and how integrated reporting can play a role in building support for adoption. This is an area where the boards may request help from the IRCC.
16. Ms Lloyd also reflected on the need to reiterate the importance of the Integrated Reporting Framework and Integrated Thinking which is at the heart of IFRS S1 to ensure that the value of Integrated Thinking is recognised in reporting conversations.
17. Ms Lloyd noted the comments on the connection between the financial statements and sustainability-related financial disclosures and discussed how it will be even more important for the boards to work in a connected manner to address these challenges.

18. Finally, Ms Lloyd reflected on the need for more data and for the implementation of IFRS S1 and IFRS S2 to take place in integrated reports to show where gaps in the reporting may be and where action may be required in the future.
19. The Chair invited Suresh Kana, IRCC Vice-Chair and IFRS Foundation Trustee, to provide closing reflections on the meeting. Mr Kana said it is fantastic to see the two boards working together as intended in the creation of the ISSB and reiterated Ms Lloyd's comments related to building on the gaps that appear once IFRS S1 and IFRS S2 begin to be implemented. Mr Kana also commented on the need for capacity building and giving our stakeholders time to implement these new (ISSB) standards.
20. The Chair summarised three points he had heard during the meeting firstly, there is a clear understanding of the importance of integrated reporting, underpinned by integrated thinking. Secondly, there is a commitment to the advocacy for and support on integrated reporting and thinking. Thirdly, there is a need to achieve a clear understanding of what integration means and developing the basis for the ongoing development of comprehensive corporate reporting.
21. The IRCC Chair stated his continued focus on behalf of the IRCC to urge the Trustees to consider the next stage of the IFRS Foundation strategy, particularly their vision for comprehensive corporate reporting and then thanked all attendees for their feedback and input and closed the meeting.