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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. Mr Charles Tilley (Chair) welcomed members and guests to the second IRCC meeting of 2024, a hybrid meeting with members online and in person at the IFRS Foundation's London offices.
2. Mr Tilley congratulated the IASB and ISSB for achievements in 2024 as well as the first anniversary of the launch of IFRS S1 and IFRS S2.
3. This meeting also recognised the second anniversary of the consolidation of the Value Reporting Foundation into the IFRS Foundation when the responsibility for the Integrated Reporting Framework passed to the IFRS Foundation.
4. Mr Tilley reminded members that the success of the IRCC was dependent on providing value to the Trustees of the IFRS Foundation and to both boards. The initial term of the IRCC had been set at two years and was due to end by 31 July 2024. Mr Suresh Kana (IFRS Foundation Trustee) informed members that the IRCC continued to provide valuable assistance to the Trustees and both boards. At the recent Trustees meeting it had been agreed to extend the life of the IRCC for another two years with a review after one year, that is, 31 July 2025. The focus for the next two years should be about the future of corporate reporting and how that enables a company to tell their story effectively.
5. Mr Tilley informed members of a recent meeting with IR Communities that represented dedicated IR networks around the world and were a vital part of the programme to promote the adoption and continued use of integrated reporting and integrated thinking.

## Report on Progress

6. Ms Sue Lloyd (Vice-Chair of the ISSB) shared recent updates from the ISSB including the publication of the Feedback Statement providing an overview of the Request for Information, responses by respondents and the ISSB's associated redeliberations. The Feedback Statement also sets out the ISSB's 2024-2026 workplan which will include a project to enhance the SASB Standards and research on two projects, one on biodiversity, ecosystems and ecosystems services and another on human capital. There will no new research project on integration in reporting in the next two years because of time and prioritisation and not because of a lack of interest. The ISSB still encourages companies to use and adopt the Integrated Reporting Framework until there is time and space to consider a future project on integration in reporting. This also allows time to collect market evidence of adoption of sustainability standards and to see further developments in integrated reporting.
7. Ms Lloyd also updated members on the development of strategic alliances to help with harmonisation in the ecosystem:

- (a) The ISSB will work closely with the Global Reporting Initiative to make it clear how to report to investors and other stakeholders in a seamless way;
  - (b) The ISSB has signed an MOU with the Greenhouse Gas Protocol that provides the ISSB with a role in their governance including having an ISSB observer on their independent standards board;
  - (c) The ISSB has taken over the responsibility for the disclosure-specific materials developed by the Transition Plan Taskforce;
  - (d) The ISSB will work closely with the Task Force for Nature-related Financial Disclosures (TNFD) to see how the ISSB can build on their work in the research project on biodiversity, ecosystems and ecosystem services (BEES).
  - (e) CDP have now made IFRS S2 the foundational baseline for their questionnaire and CDP is the ISSB's key global climate disclosure partner. Completion of the CDP Questionnaire will support companies on their path to compliance with ISSB Standards.
8. Dr Andreas Barckow (Chair of the IASB) confirmed that the IASB has decided unanimously to finalise their Management Commentary project (MC) and shared a history of the project: He informed the Council that whilst the decision was unanimous, the Board had a robust debate about the pros and cons of finalising the project. Two factors contributed to the Board's final decision: (a) strong positive feedback from investors and from securities regulators alike, both of whom had been surveyed in targeted outreach; and (b) a clear steer to keep changes from the Exposure Draft to a minimum, taking into account the feedback obtained during the comment period. Dr Barckow stressed that the decision to finalise the MC project was to be seen as an update to a more than a decade old (and, hence, outdated) Practice Statement, showing the IASB's commitment to strengthen narrative reporting and to keep stock of the valuable feedback obtained. He said that the amended version should not be regarded as the IASB's final verdict on narrative reporting but more as a stepping stone towards greater integration in reporting. He echoed Ms. Lloyd's comments on a future project in that regard.
9. The Exposure Draft of an amended MC was developed with strong leanings on the integrated reporting framework as well as by taking stock of the developments in narrative reporting that had occurred over the last decade. Whilst there are differences between MC and IR, the core concepts and fundamental principles are the same and simply expressed using different terminology..
10. Mr Kana reported that the Trustees were thinking about their role and the role of the IFRS Foundation in a future corporate reporting system as well as the use and development of technology.

## Management Commentary – IASB update

11. Ms Rika Suzuki and Ms Yulia Feygina updated members on the decision by the IASB to finalise the Management Commentary project. The initial IFRS Practice Statement 1 Management Commentary was issued in 2010 and the Management Commentary Exposure Draft was issued in 2021. The objective of the requirements is to help companies report on financial and sustainability-related information. The Exposure Draft contained a number of innovations and updates that leaned heavily on the Integrated Reporting Framework. The IASB decided in June 2024 to make targeted refinements only and recognising that the revised IFRS Practice Statement 1 Management Commentary will represent a stepping stone towards greater integration in reporting in the future.

## Integrated Thinking and Reporting – a story of continued progress

12. Mr Tilley and Mr Jonathan Labrey shared their personal reflections on the last two years.
  - (a) They thanked the staff for their continued support and commitment to integrated reporting as well as engagement with the IR Communities around the world and the members of the IRCC. Staff from the IIRC had become embedded within the IFRS Foundation including taking on other roles in addition to integrated reporting.
  - (b) The principles and concepts of integrated reporting were not operating in a silo but integral to work of the IFRS Foundation, being built on IFRS S1, IFRS S2 and the MC project for example. The Integrated Reporting Framework remains fit for purpose, and this is the basis on which the boards can encourage its continued adoption. They welcomed the reference in the [press release](#) by the IASB that the finalisation of the revision to the Management Commentary Practice Statement 'would provide a stepping-stone towards greater integration in reporting in the future'.
  - (c) For the first time there was a separate breakout session at the 2024 IFRS Foundation conference on integrated thinking and integrated reporting together with management commentary which had been well received and hopefully the first of many contributions to the IFRS Foundation Conference.
  - (d) The continued support of stakeholders as passionate and committed supporters of integrated reporting and integrated thinking was gratefully received.
13. Mr Kana repeated that the Trustees of the IFRS Foundation saw the value in the IRCC as an advisory body and a summary of each meeting was shared with them.
14. These comments were also supported by Dr Barckow, Ms Mezon-Hutter and Ms Lloyd. Dr Ndidi Nnoli-Edozien was encouraged by the support and passion by IRCC members and staff.
15. Professor Mervyn King expressed support for the evidence of the IASB and ISSB working together which meant that the IFRS Foundation had the toolkit to develop a comprehensive corporate reporting system.
16. Mr Stathis Gould agreed that the IRCC plays a critical role in providing advice to help the IFRS Foundation build an understanding of the global reporting system and is fully supported by IFAC. An integrated thinking mindset is required to drive connectivity from a company and investor perspective, and this drives an understanding of value creation over the short, medium and long-term. IFAC believes that the Integrated Reporting Framework provides a very strong basis for the disclosures arising from IFRS S1 and IFRS S2 and other jurisdictional requirements around the world.

## Breakout Group Discussions

17. The Chair introduced the following questions to be considered by the breakout groups and members were allocated to groups for discussion led by a facilitator. The first two questions were related to how to ensure continued adoption of integrated reporting and the last question asked for advice for the IASB as they finalise the IFRS Practice Statement on Management Commentary
  - (a) What specific commitments can you make to support our engagement and advocacy efforts on integrated thinking and reporting over the coming two years?

- (b) Are there additional messages or actions from the IFRS Foundation and its Boards that you believe would be helpful in achieving continued use and adoption of the IR Framework?
  - (c) What advice would you give to the IASB in making targeted refinements to the proposals in the Management Commentary Exposure Draft?
18. The following points provide a summary of comments made by members in the group discussion. The comments ranged several topics including:

### ***Commitments and suggestions for support***

- Some members mentioned the importance of recognition of integrated reports that demonstrated integrated thinking and were committed to reporting using ISSB Standards.
- Some members expressed commitments for inviting speakers to talk about integrated reporting and integrated thinking at webinars and conferences.
- Some members expressed interest in developing resources showcasing high quality integrated reports.
- Some members shared information about resources that had already been developed or were in the process of development related to integrated reporting and integrated thinking.

### ***Suggestions for the IFRS Foundation***

- Some members suggested creating more Integrated Reporting Communities to create a community of practice around the world.
- A few members suggested creating Ambassadors in different jurisdictions to build capacity by providing more 'boots on the ground' to share resources and education on integrated reporting and integrated thinking.
- Many members commented on the different levels of understanding of integrated reporting and integrated thinking.
  - In some jurisdictions, knowledge was well established while in others there is little knowledge of integrated reporting and integrated thinking. Some members encouraged different guidance for entities in jurisdictions depending on their experience.
  - Within jurisdictions there was a different level of expertise and a lower level of experience and preparedness especially among SMEs. Educational resources should be provided to provide those with the least experience a starting guide.
  - It would be very helpful to share examples of entities that are producing an integrated report incorporating disclosures related to IFRS S1 and IFRS S2. This would help those entities that are at the start of their journey and encourage them to develop their reporting quality.
- A few members suggested providing educational resources for the investor community to facilitate promotion of integrated reporting and integrated thinking by them.

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

- Some members highlighted the diversity of national requirements in this field of reporting. They suggested a mapping analysis may be helpful.
- A few members recommended the IFRS Foundation review language and terminology in the Management Commentary Exposure Draft to bring it up to date as part of the finalisation process.
- A few members suggested that an analysis of the different ways in which the Integrated Reporting Framework had been adopted in the Management Commentary Exposure Draft might be useful.

- A few members suggested considering the future of sustainability reporting including new legislation such as SFDR and ESRS to see if they can be linked to Management Commentary.

### **Integrated Thinking and Integrated Reporting Conference**

#### ***Integrated Thinking and Reporting, the Next Chapter***

19. Mr Labrey and Professor Stefano Zambon shared details about the Integrated Thinking and Integrated Reporting Conference to be held in Milan on 18th October. Alongside the leadership of the IFRS Foundation, preparers, investors, accounting profession and academics will be invited to share their insights at the conference hosted by the Organismo Italiano Business Reporting (OIBR). Alongside presentations there will be an exhibition of integrated reports and opportunities for networking. All members are welcome.

### **Closing Reflections**

20. Mr Tilley thanked the facilitators and other speakers for their contribution in the meeting. He also thanked those behind the scenes for making the meeting happen.
21. Mr Tilley thanked those who gave commitments during the meeting which will be followed up in due course and encouraged members including the IFRS Foundation itself to prepare an integrated report to 'walk the talk'. The importance of advocacy and support through guidance and education to support jurisdictions and entities on their journey towards progressing the quality of integrated reports and demonstrating the importance of integrated thinking could not be understated.
22. Mr Tilley asked the IFRS Foundation to consider their long-term vision for comprehensive corporate reporting and the challenges to be overcome when different jurisdictions are moving at different speeds.
23. Mr Tilley then thanked all attendees for their feedback and input and closed the meeting.