

## <IR> Framework Panel: Meeting of 28 April 2020

<b>Chair</b>	Erik Breen
<b>Members</b>	Jean-Luc Barlet, Sarah Bostwick Stromoski, Stathis Gould, Michael Gebbert, Nancy Kamp-Roelands, Yoichi Mori, Leigh Roberts, Hugh Shields, Jason Voss, Zubair Wadee
<b>IIRC</b>	Richard Barker, Lisa French, Laura Girella, Liz Prescott
<b>Apologies</b>	Nurmazilah Dato' Mahzan, Tom Roundell-Greene
<b>Minutes</b>	Liz Prescott
<b>Agenda</b>	

1. Welcome and attendance
2. Minutes of previous meetings (7, 14 and 21 April 2020)
3. Strawman proposal – Responsibility for an integrated report
4. Analysis of responses to Topic Paper 3 - Question 1a and 1b
5. Analysis of responses to Topic Paper 3 - Question 2
6. Analysis of responses to Topic Paper 3 - Question 3
7. Analysis of responses to Topic Paper 3 - Question 4
8. Analysis of responses to Topic Paper 3 - Question 5
9. Status of Regional focus groups
10. Other business and meeting conclusions

### 1. Welcome and attendance

The Chair welcomed attendees and noted apologies.

### 2. Minutes of previous meeting and matters arising

Minutes of the 7, 14 and 21 April meetings were circulated to Panel members on 23 April. Comments were requested of Panel members, with silence taken as agreement with the documents as written. The minutes accepted without change.

### 3. Strawman proposals – Responsibility for an integrated report

The Chair opened the discussion on the revised strawman proposal to ensure Panel members had considered all perspectives with respect to Paragraph 1.20 recommendations.

The ensuing discussion reinforced positions raised at previous meetings and concluded with Panel members maintaining a recommendation to maintain but simplify Paragraph 1.20. Commentary on the application of a collective mind, and the three-year phase-in plan will be removed, with the term 'those charged with governance' clarified and process-related disclosures encouraged.

### 4. Analysis of responses to Topic Paper 3 - Questions 1a and 1b

The discussion of Questions 1a and 1b regarding purpose and audience of an integrated report was carried over from the previous meeting. Ninety respondents provided feedback on Topic Paper 3. A large majority of respondents were from Europe, but all regions were represented. As with other Topic Papers, investor engagement was limited.

Responses to Question 1a indicated strong support for the proposal to recognize providers of all forms of capital in Paragraph 1.7, rather than providers of financial capital alone. Support noted recognition of a wider audience, better alignment with the core concepts of integrated reporting, and encouraging disclosures on the full range of capitals on which organizations rely or have an effect. Compelling arguments opposing a change to Paragraph 1.7 noted the potential diminished

relevance of integrated reports to investors, concerns over the detail of the Question 1a proposal (i.e. its exact approach and terminology) and a potential degradation of report quality.

The pattern of responses to Question 1b mimicked that of 1a, with a larger number of responses supporting the proposal to add providers of financial capital to the list of stakeholders interested in integrated reports. Deeper explanations noted that the proposal: (1) places providers of other capitals on par with investors, (2) provides a sensible alternative to the current formulation and (3) signals a departure from a shareholder primacy model. Those opposing the proposal justified the rationale for informing investor decisions as a matter of priority; such a focus does not negate or marginalize other stakeholders. Others opposed the proposal based on its phrasing.

A detailed discussion on whether the Panel agreed or disagreed with the proposed changes was not necessary. Whereas Topic Papers 1 and 2 will inform near-term revisions to the Framework, Topic Paper 3 takes a longer-term view of the matters contained therein. As a result, no changes to Paragraphs 1.7 or 1.8 will be considered under the current <IR> Framework revision.

#### **5. Analysis of responses to Topic Paper 3 - Question 2**

Seventy-seven responses were provided to Question 2. Respondents offered diverse views on technology. Key themes included:

- The implications of a shift from static, PDF formats of corporate reports to digital formats
- A move to automated real-time reporting in the future, with artificial intelligence and machine-learning playing a bigger role in integrated reporting
- The implications of new technologies on auditing and assurance.

Respondents frequently referenced the important enabling role of technology in report preparation, but cautioned against building technology issues into the <IR> Framework. The <IR> Framework should remain principles-based and technology-neutral. Others noted the fast pace of technology development and recommended that the IIRC wait before issuing concrete guidance.

Panel members generally agreed with the survey feedback, but recognized a need for the IIRC to stay abreast of advances in technology and to consider the implications for integrated reporting. An <IR> Technology Committee could be useful in this regard.

#### **6. Analysis of responses to Topic Paper 3 - Question 3**

A number of respondents to Question 3 on assurance noted that as integrated reporting is still maturing, it will take time for integrated assurance to develop. The existing assurance-friendly features of the <IR> Framework were noted (e.g. Section 3F - Reliability and Completeness), and there was strong support for the IIRC to contribute to assurance initiatives. Panel members concurred and supported continued engagement with the IAASB and its standard setting agenda.

The topic of metrics was also raised by respondents, and Panel members noted that Paragraph 4.53 of the <IR> Framework discusses characteristics of quantitative indicators that could be subject to assurance. Panel members discussed how the <IR> Framework can be used with other standards, frameworks and initiatives and assurance sought. The merits of offering related guidance were raised. A short update to the IIRC's earlier paper on assurance was proposed as a potential solution.

The Panel discussed whether the term 'assurance' should be included among the examples of process-related disclosures in Paragraph 1.20. The Chair and IIRC team recalled a related decision at the 14 April meeting (i.e. reference to systems, controls and procedures should be kept at a high level, with supporting detail included in the FAQs). The Chair invited Panel members to reopen the discussion; silence was taken as confirmation of the Panel's earlier decision.

#### **7. Analysis of responses to Topic Paper 3 Question 4**

Eighty-four responses were received for Question 4, with the majority agreeing that matters of assurance rest with regulators and related standard setters rather than voluntary reporting frameworks. However, many noted that the IIRC can and should contribute to assurance initiatives.

Over thirty percent of respondents disagreed with the Question 4 statement, believing that matters of assurance are the responsibility of all involved in the corporate reporting space.

#### **8. Analysis of responses to Topic Paper 3 - Question 5**

Of the 77 respondents to Question 5, 30% of responses were unique and, therefore, difficult to pigeon-hole. The remaining responses were broadly collated into three trends:

- The need to simplify the concept of integrated thinking, as well as the <IR> Framework itself
- A push for harmonization between the <IR> Framework and other standards, frameworks and initiatives, including the SDGs.
- Interest in a clear path between the <IR> Framework's principles and standardized metrics.

Panel members reflected on the feedback and were invited to contact the IIRC with any detailed comments or concerns.

#### **9. Basis for conclusions**

The IIRC team oriented the Panel to a Basis for Conclusions document, distributed shortly ahead of the meeting. The document includes the proposed <IR> Framework amendments and rationale for those amendments, and covers:

- Responsibility for an integrated report – 2nd version, reflecting Panel feedback (pages 1-4)
- Business model considerations – draft for first review (pages 5-12)

Panel members were invited to comment on the draft portion (pages 5-12) by COB Thursday **30 April 2020**.

#### **10. Status of Regional focus groups**

Due to time constraints, the status of Regional focus groups was not discussed and will be communicated to Panel members via email.

#### **11. Other business and meeting conclusions**

Before closing the meeting, the Chair thanked all Panel members for their contributions, and IIRC team for its work. The next meeting is scheduled for **Tuesday 12 May 2020**.