2020 revision of the International <IR> Framework

Analysis of Consultation Draft feedback

Questions 1 – 10

VOLUME 2

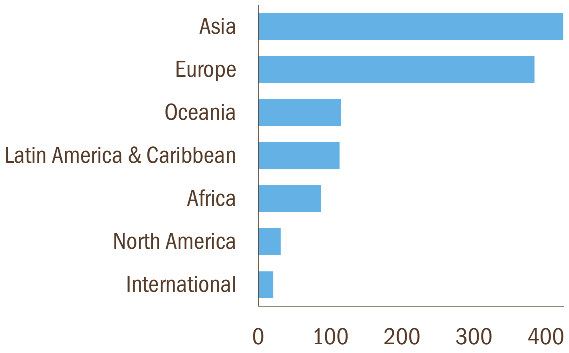
Jan 2021

Table of contents

In February 2020, the IIRC launched a revision of the International <IR> Framework (2013). This process – guided by a Procedures Handbook and shaped by extensive consultation – commenced with a 30-day engagement period. During those 30 days, 295 responses were received,[1] informing proposals later presented in a May 2020 Consultation Draft.

In an ensuing 90-day consultation period, the market's voice was once again heard. Individuals and organizations participated via virtual roundtables (1061 participants) and an online survey (114 responses). The following diagrams summarize participation by region and stakeholder group.

Regional coverage



Stakeholder coverage

This document presents a statistical review of input received via a 90-day online survey, as well as illustrative quotes. Quotes are modified for length and readability, but their spirit and intent remain intact. Full responses, in their original form, are available in Consultation Draft feedback: Questions 1 - 10.

Responses to the 90-day online survey are presented below. The treatment of this feedback, including how respondents' recommendations for improvement were applied, are available in Treatment of Consultation Draft feedback: Questions 1 – 10.

Q1	Do the adjustments to Paragraph 1.20 simplify the statement of responsibility in an effective way?	Yes 82%
Q2	Does the framing of process disclosures meet the goals of promoting accountability and integrity while still providing flexibility?	Yes 81%
Q3	Does the Consultation Draft strike an appropriate balance between maintaining a principles-based approach and usefully informing preparer considerations?	Yes 79%
Q4	Does the Glossary sufficiently clarify the potential inclusion of management personnel in the scope of those charged with governance?	Yes 78%
Q5	Do paragraphs 1.21 and 1.22 sufficiently recognize variations in governance models?	Yes 81%
Q6	Does paragraph 4.19 sufficiently differentiate outputs from outcomes?	Yes 68%
Q7	Does Figure 2 effectively distinguish outputs from outcomes and link outcomes to value creation, preservation or erosion?	Yes 67%
Q8	Does the final sentence in paragraph 4.19 sufficiently encourage evidence-based reporting of outcomes?	No or undecided 64%
Q9	Does the increased emphasis on value preservation and value erosion encourage more balanced reporting of outcomes?	Yes 83%
Q10	Does the closing sentence of paragraph 4.20 sufficiently address the coverage of impacts under the term outcomes?	No or undecided 54%

[1] Feedback arising from focused engagement, and the treatment thereof, is summarized in a Companion Document to the Consultation Draft.

Q1 Do the adjustments to Paragraph 1.20 simplify the statement of responsibility in an effective way?

Question 1 tested three amendments to paragraph 1.20 of the <IR> Framework. Specifically, it explored the following measures outlined in Proposal 2 of the Companion Document to the Consultation Draft:

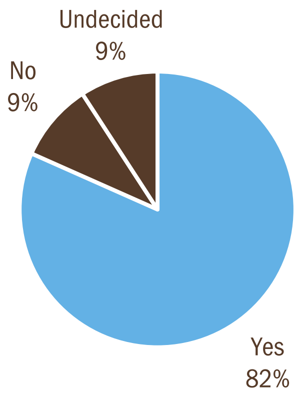
2a. Removal of the required commentary on the application of a collective mind

2b. Elimination of the need to comment on plans for a future statement of responsibility

2c. Clarification that full <IR> Framework adherence is not a prerequisite to apply paragraph 1.20.

Of the 109 survey respondents to Question 1, 89 (82%) **support** the three measures under Proposal 2. Professional bodies (19), academia (15) and report preparers (15) account for 55% of the supporting responses. Support is rooted in five explanations.

Figure 1. Responses to Question 1



36% of supporting feedback

The revised paragraph 1.20 sets clearer disclosure expectations

Raised by 50 respondents

The measures under Proposal 2 address preparer concerns by clarifying the requirements of paragraph 1.20. The Consultation Draft retains the most critical elements of the original statement of responsibility, while simplifying matters by reducing ambiguity and redundancy. By deleting the required commentary on the application of a 'collective mind', Proposal 2a eliminates a concept that is vague in its definition and subjective in its assessment. This limits unnecessary disclosures: When multiple individuals channel an opinion through a single statement, are they not already speaking with a united voice or 'collective mind'? Is further confirmation necessary?

Testimonials

- By removing the additional commentary, the reader is able to focus on the company's actual adherence to the <IR> Framework. **Investor, USA**
- We believe that the adjustments to paragraph 1.20 simplify the statement of responsibility in an effective way. The concept of "collective mind", while recalling the one of integrated thinking, is implied and may generate confusion. We agree on eliminating this concept. The other relevant concepts/aspects are still present and are now proposed in a more effective way. **Academic, Spain**
- The application of collective minds is not only implied but required of those charged with governance in carrying out of the gamut of their responsibility. **Report preparer, South Africa**
- We agree with the proposal (P2a) to remove the acknowledgement that those charged with governance have applied their collective mind to the preparation and presentation of the integrated report. In our view, the application of the collective mind is inferred in the acknowledgement of responsibility by those charged with governance. **Standard setter, New Zealand**
- The removal of the term "collective mind" is welcomed as questions have been raised as to the meaning of the term when the preparation of the integrated report involves both preparers and those charged with governance. **Professional body, Malaysia**

22% of supporting feedback

The revised paragraph 1.20 provides flexibility, particularly to new adopters

Raised by 31 respondents

By inviting preparers to comment on the extent of <IR> Framework adherence, the IIRC recognizes integrated reporting as a journey, one whose pace varies across entities. Such commentary provides insight into coverage and gaps, benefitting preparers and users of integrated reports alike. The revised text acknowledges the role of, and potential conflicts with, national regulations and encourages organizations to act accordingly. The amended paragraph 1.20 better accommodates organizations' unique circumstances and maturity in integrated reporting.

Testimonials

- The inclusion of additional text in second bullet 'or the extent to which' the integrated report is presented in accordance with the <IR> Framework acknowledges that the evolution of integrated thinking (and presentation of reporting in accordance with the <IR> Framework) does take time, and may, in fact, not be achievable in all contexts (e.g. public sector organisations, some jurisdictions). **Consultant, New Zealand**
- We believe disclosing/stating the extent to which companies have been able to apply the <IR> Framework is helpful for users, as companies may not be able to 'comply' with all aspects of the framework. We consider that the revisions are likely to encourage more companies to provide this statement notwithstanding that the <IR> Framework is voluntary. **Regulator, UK**
- ... the change reinforces the document's principle-based approach by including the possibility for organizations to affirm the extent to which they are aligned with the framework (P2c) - and not just whether they are aligned or not, in binary form. **Industry organization, Brazil**
- We support the adjustments made to paragraph 1.20 because it reminds and reinforces the responsibilities of "those charged with governance" of the reporting entity. Recognition that a "one size does not fit all" solution is a welcome addition to what was previously published. **Assurance provider, UK**

21% of supporting feedback

The revised paragraph 1.20 imposes a lower reporting burden

Raised by 29 respondents

By eliminating the section on phase-in plans for a statement of responsibility, Proposal 2b simplifies matters by removing a deterrent and reducing the reporting burden.

Testimonials

- The simplification does not reduce the governance responsibility; it will however reduce the reporting burden by removal of commentary on a collective mind and the need to comment on plans for a future statement of responsibility. **Professional body, South Africa**
- The revised language simplifies the statement of responsibility clearly and allows for preparers to provide the information relevant to their organization in line with the principles-based approach of the framework and in accordance with jurisdictional regulations. **Assurance provider, International**
- It is well known that in some jurisdictions there are real or perceived conflicts with local regulations and any mechanism that can ameliorate the situation is to be encouraged so that there is as little reluctance as possible by preparers to participate. In addition, it is well known that preparers are confronted with multiple standards and frameworks and again amendments that ameliorates this burden are to be supported. **NGO, UK**
- We support the IIRC's proposals to remove ... plans for a future statement of responsibility. This could potentially alleviate the reporting burden for some preparers. **NGO, Belgium**

17% of supporting feedback

The revised paragraph 1.20 reinforces accountability for the integrated report

Raised by 24 respondents

Identifying the parties responsible for external reports – integrated or otherwise – is an essential step in building credibility and establishing trust. The benefits of clear lines of ownership and accountability, however, are not confined to outside audiences. Some point to the value of sending a message internally. That is, by assuming responsibility for the integrated report, the organization's highest oversight body sets a 'tone from the top'. This commitment to the principles of integrated reporting tends to cascade to all levels of the organization.

Testimonials

- We believe the statement of responsibility is crucial to demonstrate clear accountability of those charged with governance for the oversight of the preparation and presentation of an integrated report. This includes ensuring the establishment of strong governance and robust processes, systems and controls over wider information collection systems for non-financial data. It also requires those charged with governance to oversee a broad set of business and reporting risks and assess the connectivity and consistency between information in the integrated report and other reports and disclosures, including the financial statements. **Professional body, International**
- We support keeping the requirement for a statement from those charged with governance in the integrated report as it ensures top-level accountability and report credibility, which in turn unlock assurance. **NGO, Belgium**
- The revisions will make it easier for those charged with governance in all institutions, irrespective of legislative requirements, to disclose this statement which is important as it provides credibility, accountability and ownership of the integrated report. **<IR> Network, Africa**
- In our response to the Focused Engagement exercise we noted: 'Disclosures from those charged with governance on the role they played in exercising governance and oversight over the preparation and presentation of the report that explains how integrated thinking has been applied by a company is most helpful for users, and can enhance transparency and accountability.' **Assurance provider, International**

4% of supporting feedback

The revised paragraph 1.20 supports robust integrated reporting

Raised by five respondents

By reinforcing the importance of top-level responsibility for the integrated report, and more explicitly recognizing integrated reporting as a continuous process, the <IR> Framework encourages organizations to take stock of where they are on the journey. Instilling this discipline naturally reinforces more internally-robust, consistent and assurance-ready systems, processes and content.

Testimonials

- We agree that it is important to retain this statement covering both responsibility and extent of compliance with the <IR> Framework. This will help stakeholders reading the report have confidence in it and understand the extent of comparability with other reports. Both elements are a pre-requisite for independent assurance over the report. **Professional body, International**
- The draft proposal … indirectly encourages adopters to have proper internal process in place to ensure the integrity of the integrated report regardless of their level of maturity in reporting. **Professional body, Malaysia**

Of the 109 survey respondents to Question 1, 10 (9%) **oppose** the measures under Proposal 2. A further 10 (9%) are **undecided**. Those opposed to, or uncertain about, the paragraph 1.20 revisions in the Consultation Draft, are relatively evenly dispersed across stakeholder groups. Concerns with the revisions – whether raised by supporters, opposers or those undecided – are summarized below.

45% of opposing feedback

The addition of 'the extent to which' may drive complacency

Raised by 14 respondents

By inviting commentary on the extent to which the integrated report adheres to the <IR> Framework, the IIRC condones partial <IR> Framework adherence. There is a risk that some organizations will become complacent and adopt a 'half-way approach' to integrated reporting.

Concerns

- ... there should be some type of 'lowest bar', so that corporates can't just claim adherence to the <IR> Framework. Minimum criteria should be defined to avoid confusion and undermining of the <IR> Framework. **Report preparer, Denmark**
- As a former assurance provider, I have had several discussions in the past with companies that simply put financial information in the same chapter as non-financial information and then state that they issued an integrated report. Adding "or the extent to which" gives preparers the opportunity to argue that you do not have to meet all requirements to be able to state that you have issued an integrated report. I strongly advise against offering such an option and propose to replace bullet 3 with the current bullet 3 of 1.20. **Academic, Netherlands**

19% of opposing feedback

Paragraph 1.20 is unwelcome in principle

Raised by six respondents

Notwithstanding the changes under Proposal 2, the continued requirement of a statement of responsibility is troublesome. The requirement could continue to deter organizations from adopting the <IR> Framework and fail to evoke the behavioural change that the IIRC seeks to achieve. Paragraph 1.20 will potentially duplicate or conflict with local regulatory statements, creating burden and redundancy for report preparers.

Concerns

- We would like to see how this statement can either be combined with or supplementary to other statements required in a report such as the UKs requirement for a non-financial statement, viability statement, s.172 statement and going concern statement. Reports need to become more concise and a reduction or combination of these requirement will improve readability and reduce repetition. **Consultant, UK**
- The responsibility statement (and supplementary information) is considered redundant and therefore should be omitted: Any information provided in the integrated report should be considered based on the joint recognition of the management's responsibility for it. **Consultant, Germany**

17% of opposing feedback

The revised text needs further clarification

Raised by five respondents

The Consultation Draft provides insufficient guidance with respect to "the extent to which the integrated report is presented in accordance with the <IR> Framework".

Concerns

- We suggest making it clearer in paragraphs 1.14, 1.20 and in the Executive Summary of the <IR> Framework as to how an integrated report is deemed to be presented in accordance with the <IR> Framework, say by complying with the requirements listed in "bold italics" in the Appendix – Summary of Requirements. **Report preparer, China**
- ... the term "simplify" does not really comply with the objective and content of the adjustments to para 1.20... In the light of missing objective measures for "the extent" of compliance, those charged with governance might be negatively exposed to such a statement for indemnity reasons... The (assurance) provider will have a hard time judging whether the "extent" of compliance with the <IR> Framework, expressed by those charged with governance, is "correct" or "plausible", taking into account that the <IR> Framework does not include clear rules and the assurance profession has not (yet) developed appropriate assurance standards. **NGO, Germany**
- Minimum criteria should be defined to avoid confusion... **Report preparer, Denmark**

17% of opposing feedback

Paragraph 1.20 should go further and/or recover certain removed content

Raised by five respondents

At a minimum, paragraph 1.20 could retain the required commentary on the application of a collective mind and insights into future plans. The scope of requirements might be extended to include a separate statement of responsibility from management, in addition to that provided by those charged with governance.

Concerns

- ... the statement must consider not only the collective organisational mind, but also the shared beliefs and moral attitudes that shape the social environment to which the entity belongs... we suggest defining the recognition of collective mind that contributes to integrated report preparation and presentation in terms of the number and position of people who share this collective mind, and the content (values and principles) that guides the interaction. **Academic, Colombia**
- The removal of the section on (the application of a collective mind) does not simplify the elaboration of the report and is not beneficial, as it disconnects the organization's responsibility to disseminate real and consolidated information through integrated thinking. **Academic, Brazil**
- ... the integrity of the report could be enhanced if senior management also independently gave assurance about its integrity. Whilst the governing board should be aware of all material issues, in reality, there are sometimes matters of which members of the board are not fully apprised, or of which management has a more incisive understanding. Care would need to be taken to ensure that the wording does not relieve the governance board of its responsibility. **Professional body, South Africa**

ROUNDTABLES

Q1

There was general consensus across the regional roundtables to retain the statement of responsibility for the integrated report in its simplified form. Very few questioned its utility in demonstrating the highest governing body's accountability for the integrity of the integrated report.

Notably, participants of roundtables hosted in Italy and Japan tended to disagree with these sentiments. In both regions, participants felt that the proposed adjustments did not adequately simplify the statement of responsibility. Furthermore, many favoured allowing preparers the choice of including the statement; process-related disclosures should, by contrast, be provided on a compulsory basis.

Efforts to clarify that full <IR> Framework adherence is not a prerequisite for applying paragraph 1.20 were generally appreciated. In fact, the addition of the term "the extent to which" to paragraph 1.20's second bullet point generated much discussion. Most saw this move as highly pragmatic, and recognized that many companies – certainly those in the early stages of integrated reporting – are unlikely to fully comply with the <IR> Framework. While some welcomed the adjusted statement of responsibility as simpler and more effective, they felt that opining on "the extent to which the report is presented in accordance with the <IR> Framework" is subjective in nature. Moreover, they questioned whether preparers might hesitate to express "partial compliance".

An audit practitioner noted that "the extent to which" statement might inadvertently diminish the quality of integrated reports, and lead preparers to adopt the "integrated report" label without fully complying with the <IR> Framework. With this in mind, there was concern that report users could be misled. This concern might be particularly relevant in jurisdictions where an integrated report is a regulatory requirement.

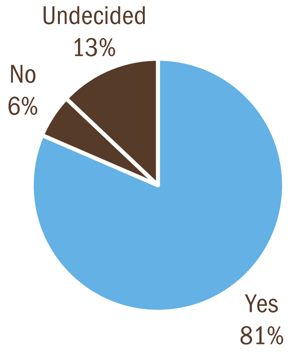
Other participants questioned how report preparers could accurately state "the extent to which" they were complying with a principles-based framework. This indicated some confusion about whether an integrated report presented "in accordance" with the <IR> Framework equated to complying with the 19 bold, italic requirements.

Q2 Does the framing of process disclosures meet the goals of promoting accountability and integrity while still providing flexibility?

Question 2 probed the introduction and framing of process disclosures to paragraph 1.20. Such disclosures found broad support during the IIRC's focused engagement period in Feb – Mar 2020 and would serve as an **encouraged supplement** to the required statement of responsibility. Where legal or regulatory requirements preclude a statement of responsibility, process-related disclosures would serve as a **recommended alternative** to the statement. The rationale for and approach to process disclosures are captured under Proposal 3 of the Companion Document to the Consultation Draft.

Of the 108 respondents to Question 2, 87 (81%) **support** the changes under Proposal 3. Academia (20), report preparers (16), professional bodies (13) and consultants (13) account for 71% of the supporting responses. Points favouring the proposed changes are outlined below.

Figure 2. Responses to Question 2



38% of supporting feedback

The revisions under Proposal 3 strengthen transparency and accountability

Raised by 40 respondents

Under the revised paragraph 1.20, organizations will provide greater insight into their reporting process and, in particular, the role that senior management and those charged with governance play in that process. Such disclosures will provide a window into cross-functional interactions and the degree to which integrated thinking is embedded in operations. Communicating this information externally will reinforce ownership and accountability for the integrated report among the organization's leadership.

Testimonials

- To the extent that the proposed changes to section 1G and the glossary will contribute to encouraging preparers to provide more insight into the process of preparing the report, or that they will allow for a basis to discuss such matters with preparers, we also welcome these overall amendments. **Investor, Netherlands**
- Disclosures about an organization's reporting process and related responsibilities foster governance bodies to clarify their engagement with integrated reporting during the phases of the integrated report preparation. Albeit process disclosures may vary significantly due to the flexibility allowed to preparers, these disclosures – at least potentially – promote accountability and integrity. **Academic, Spain**
- Sharing the process followed by the organisation will enhance the integrity of the information supplied - when the reader has an overview of the process followed, it will support transparency and build trust. **Report preparer, South Africa**
- The consultation draft fully encompasses the related disclosures for processes and related responsibilities for achieving integrity and accountability. **Consultant, Pakistan**
- Such supplementary disclosures would provide context and enable any user of the integrated report to gain a better understanding of the thinking and processes applied by the organization to prepare the report. It will also provide appropriate information required to assure integrated reports. **<IR> Network, Africa**

32% of supporting feedback

The revisions under Proposal 3 promote more credible reports

Raised by 33 respondents

The preparation of process information encourages organizations to evaluate existing systems, procedures and controls, and to identify gaps. An understanding and awareness of this reporting infrastructure provides concrete support for both the statement of responsibility and third-party assurance engagements.

Testimonials

- We strongly support the proposed approach to use process disclosures to meet the goals of promoting accountability and integrity. In our experience these are an effective scaffolding to achieve accountability, integrity and mature an organisation's approach to integrated thinking and reporting. **Investor, Australia**
- By addressing key requirements in the adjusted paragraph 1.20 in relation to process disclosures, accountability is emphasized by introducing the need for the reporting organization to demonstrate the state and organization of internal controls in preparing and presenting the integrated report. These additional requirements are beneficial for users of the report, and the integrated reporting oversight body as well, since they provide the opportunity for the organization to conduct a thorough review of systems, procedures, and controls in place aimed to deliver valuable, relevant, and reliable reporting. **Report preparer, Russian Federation**
- Proposals 3/4 reinforce the need (to establish) sound systems for regular, reliable non-financial information. Organisations need to have the same robust internal controls over pre/non-financial information as those in place for financial information with audit trails to enhance the credibility of reports. **Consultant, Sri Lanka**
- We agree that providing disclosures on an organisation's reporting processes and related responsibilities for the preparation of an integrated report can provide helpful information. Indeed, understanding who is responsible for the integrated report can, in itself, provide a clear indication of its significance within the organisation. Expanding the <IR> Framework to cover disclosure of processes and responsibilities might also encourage organisations to consider the appropriateness of their existing processes and responsibilities, which would be a positive outcome. **Professional body, UK**

22% of supporting feedback

The revisions under Proposal 3 provide continued flexibility

Raised by 23 respondents

By positioning process disclosures as an encouraged supplement – or, in some cases, an encouraged alternative to – a statement of responsibility, the <IR> Framework maintains its principles-based approach.

Testimonials

- Given the <IR> Framework takes a principles-based approach, categorizing the process-related disclosures into two classes is appropriate. Preparers have the ability to expand upon this disclosure, as needed, to address the particular circumstances. **Assurance provider, International**
- The proposed change to paragraph 1.20 complements and supplements the content-related statement (of responsibility) without prescribing the form/words for the process-related component, and so provides flexibility. **Academic, Australia**
- The maintenance of the declaration of responsibility, optionally supplemented by process-related disclosures, helps to promote accountability, transparency and the proper responsibility of the governance agents involved with the reporting. It also promotes the flexibility and universalization of the <IR> Framework, recognizing that some jurisdictions preclude the statement of responsibility. **Industry organization, Brazil**

8% of supporting feedback

The revisions under Proposal 3 offer other benefits

Raised by eight respondents

Process disclosures are generally consistent with local requirements and prevailing reporting practices.

- The Consultative Draft now does not have the option to omit the statement (unless legal or regulatory requirements preclude such a statement), rightly, because this option was not in accordance with the core principles of any corporate reporting. **Professional body, Pakistan**
- In Australia, the revised paragraph 1.20 will be fully aligned with and complementary to the revised Principle 4 and new Recommendation 4.3 of the ASX Corporate Governance Principles and Recommendations, and supporting commentary... **Academic, Australia**

The proposed disclosures on process and responsibilities reflect a shared responsibility for integrated reporting.

- Disclosures about an organization's reporting process and related responsibilities foster governance bodies to clarify their engagement with integrated reporting during the phases of the integrated report preparation. **Academic, Spain**

The revised text promotes wider learning, evolution and consistency in disclosures across organizations.

- ... we understand that the reporting process involving those charged with governance is still evolving, and different organizations could have so many different practices. Accordingly, we believe it is in the best interest not only for users of the report to understand what kind of systems and processes are implemented by an organization, but also for other organizations who can learn from precedents, thereby contributing to the overall development of corporate reporting practice. **Professional body, Japan**
- Companies with a more robust process will be able to explain key systems and processes used and this will be helpful information for readers and other preparers of integrated reports. **Report preparer, South Africa**

Of the 108 respondents to Question 2, seven (6%) **oppose** the measures under Proposal 3. A further 14 (13%) are **undecided**. Just under 60% of those opposed to, or unsure about, the revisions presented in the Consultation Draft are professional bodies and consultants. The four main areas of opposition are as follows.

43% of opposing feedback

The revisions under Proposal 3 are counter to conciseness

Raised by 17 respondents

The revised paragraph 1.20 risks inviting boilerplate and excessive text to the integrated report.

Concerns

- In our view, the introduction of the disclosures around the process of preparing an integrated report is likely to result in boilerplate and are unlikely to be informative. **Regulator, UK**
- We are concerned that adding additional disclosures into the <IR> Framework may result in an integrated report no longer being "a concise communication...". However, we note that many organisations may already be required to provide information on governance... Where this information is provided elsewhere the ability to cross reference to it could alleviate this concern. **Standard setter, New Zealand**
- Process disclosures will enhance transparency and reliability of the report; however too much information explaining process could compromise the conciseness of the report. It may distract from the report focus and the responsibilities of the board/ senior management... **Report preparer, South Africa**

35% of opposing feedback

The current phrasing/presentation of Proposal 3 should be revised for clarity

Raised by 14 respondents

Formatting adjustments and minor wordsmithing are needed to clarify the required versus voluntary components of paragraph 1.20. A perceived inconsistency between paragraphs 1.17, 1.18 and 1.20 should also be reviewed.

Concerns

- ... the examples of process disclosures (and other non-mandatory material) should be appropriately formatted. In addition to this, we suggest the IIRC consider providing some guidance around the quantum of information expected to be provided... **Professional body, International**
- We suggest that the additional note could be edited slightly to make clear that these additional disclosures are encouraged, rather than required. **Investor, Australia**
- ... the current wording may be interpreted as an additional requirement for those charged with governance within the statement of responsibility. Therefore, we suggest that the IIRC revises the wording in paragraph 1.20 to clarify which disclosures are required and which disclosures are voluntary. **Professional body, UK**
- Entities who have decided to move to full adoption of the <IR> Framework over a period of years are prevented under ... paragraphs 1.17 and 1.18 from claiming partial adoption of the <IR> Framework or adoption with exceptions for strategic reasons other than those regarding legal prohibition... **Reporting forum, Australia**

15% of opposing feedback

The Proposal 3 revisions should go further

Raised by six respondents

Proposal 3 should include additional subject matter and/or be upgraded from encouraged to required.

Concerns

- It is important to note that process disclosures, on their own, cannot take the place of accountability for the content, but will serve to assist with credibility. The revised paragraph 1.20 should... explicitly state that this relaxation is only applicable to first-time or early (say, two years) preparers. **<IR> Network, South Africa**
- It would be better to leave preparers free to choose whether to include the statement (of responsibility) and ask them instead to include, on a compulsory basis, the process-related disclosure. The process-related disclosure could substitute the responsibility statement. **NGO, Italy**
- ... this is an opportunity to modernize the <IR> Framework by specifically describing the role of internal audit as an integral part of effective governance and a major contributor to the improvement of disclosure reporting by assuring the accuracy and completeness of information for the governing body. **Standard setter, USA**

8% of opposing feedback

The Proposal 3 revisions maintain or contribute to reporting burden

Raised by three respondents

Depending of preparers' interpretation of Proposals 3 and 4, the revisions may compound the existing reporting burden.

Concerns

- ... we also would like to point out our concern that the expectations with regard to the process disclosures could rise too high, causing a considerable disclosure load on the reporting companies... **NGO, Germany**

ROUNDTABLES

Q2

The inclusion of voluntary process disclosures as an enhancement to, or in place of the statement of responsibility where local regulations preclude, was generally supported as a flexible and effective approach.

One regional roundtable felt that the framing of process disclosures could help SMEs better structure their reporting approach and obtain assurance on their integrated reports.

Some roundtable discussions flagged that the wording, “This statement is enhanced by supplementary disclosures on the process followed to prepare and present the integrated report” was open to interpretation. Is such information required, or simply “nice to have”?

There were multiple calls for examples of “related systems, procedures and controls, including key responsibilities and activities”. Roundtable participants also sought clarity on the expected level of detail, prompted by scepticism over the ability of an organization to communicate process information succinctly in the integrated report itself.

With the above considerations in mind, some suggested that the <IR> Framework’s wording related to process disclosures be “tightened” for clarity.

The roundtable discussions in Italy and Japan raised the difference between the “approval of” and “responsibility for” the integrated report. According to these regions, the concepts should remain distinct, and should be introduced and explained in the <IR> Framework.

The roundtable discussion in Turkey underscored the importance of governing body participation throughout the integrated reporting process, rather than merely through a last-stage statement of responsibility.

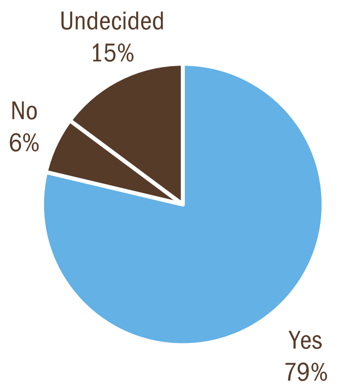
Q3 Does the Consultation Draft strike an appropriate balance between maintaining a principles-based approach and usefully informing preparer considerations?

During the Feb – Mar 2020 focused engagement stage of the revision process, the public submitted a long and useful list of process considerations (ref: Q2, page 21 of the Companion Document to the Consultation Draft). Suggestions were consolidated into two classes:

- Related systems, procedures and controls, including key responsibilities and activities
- The role of those charged with governance, including relevant committees, in the process of preparing and presenting the integrated report.

Consistent with a principles-based approach, the Consultation Draft framed market suggestions as 'considerations' rather than hard and fast rules. Question 3 tested whether an appropriate compromise between high-level principles and detailed guidance was achieved.

Figure 3. Responses to Question 3



Of the 108 respondents to Question 3, 85 (79%) **support** the approach. Academia (16), consultants (15), report preparers (14) and professional bodies (14) account for 69% of positive responses. Supporting arguments, where provided, fall into two broad categories.

81% of supporting feedback

The proposed level of guidance is sufficient, helpful or appropriate

Raised by 38 respondents

The Consultation Draft maintains a principles-based approach, while providing sufficient detail to support related disclosures. The presentation of Proposal 4 in paragraph 1.20 is conducive to driving behavioural change, including the investment of attention and resources into underlying reporting systems.

Testimonials

- The current wording for 1.20, in particular the last three dot-points, can be seen as prescriptive. The proposed new wording remains principles-based whilst at the same time providing guidance that recognises constraints that may exist in various jurisdictions. **NGO, UK**
- The option to provide disclosure beyond the guidance is helpful for those organizations whose disclosures do not fit neatly into the two broad classes. **Investor, USA**
- The revised <IR> Framework provides more concise and descriptive language for preparers when drafting an integrated report without becoming overly burdensome in process or prescriptive. Preparers can provide more detail if needed for any component of the report. **Assurance provider, International**
- ... the lack of prescription about the type of systems, procedures etc. that should be used or the role of those charged with governance is consistent with a principles-based approach. **NGO, Switzerland**
- The Consultative Draft advocates a best practice approach rather than a mandatory or prescriptive approach. **Academic, Singapore**
- I believe this will provide the impetus necessary for organisations to invest in building robust non-financial information systems with reliable audit trails. It will also support assurance, risk management and identifying material matters. **Consultant, Sri Lanka**

19% of supporting feedback

If anything, there is room for more guidance without sacrificing flexibility

Raised by nine respondents

When providing accompanying guidance, principles-based frameworks **can** run the risk of sounding overly detailed, prescriptive or authoritative. In this case, however, the <IR> Framework remains comfortably within its 'conceptual framework' territory. Indeed, there may even be leeway to offer additional guidance without sacrificing flexibility or disrupting the balance between principles and prescription.

Testimonials

- The principles-based approach is maintained. However, we believe it would be appropriate to provide more examples, which are useful for preparers. **Industry organization, Italy**
- We do believe that more rigour could be provided to ensure more comparability within industries and companies within certain industries. **Academic, South Africa**
- … consider further examples and guidance to avoid the emergence of generic statements. **Assurance provider, International**
- Categorization and a few more details can help organizations to report without taking away the principled nature of <IR>. **Academic, Brazil**
- We believe that process-related disclosures do not jeopardise the principles-based approach of the IIRC Framework. On the opposite, we believe that a detailed explanation of the processes followed to prepare and approve the integrated reports at various corporate levels would improve stakeholders' understanding of the preparers' engagement with integrated reporting and enhance the overall accountability of the organization. **Academic, Spain**

Of the 108 respondents to Question 3, seven (6%) **oppose** the measures under Proposal 4. A further 16 (15%) are **undecided**. Professional bodies and academia account for 57% of this group; the remainder of those opposed to, or unsure about, the revisions are relatively evenly dispersed across stakeholder groups. Opposing views, in descending order of frequency are as follows.

28% of opposing feedback

The proposed guidance misses important subject matter

Raised by seven respondents

From internal audit to external assurance to the Sustainable Development Goals, there is additional subject matter that ought to be included in the guidance on process disclosures.

Concerns

- Paragraph 1.20… does not go far enough to provide transparency to the audience; there is no mention of establishing confidence in and credibility for what is included in the integrated report. Internal audit is ideally positioned to convey both and is routinely tasked with providing assurance to the governing body on all aspects of the organization's activities. We believe this function is an important addition to the <IR> Framework, and there should be disclosure of the efforts made to provide assurance… **Standard setter, USA**
- We fully support the principles-based approach, but we believe the principles should explicitly recognise: a) the relationship between sustainable development risks and opportunities and long-term value creation; and b) impact on achievement of the SDGs. **Professional body, UK**
- More industry-specific guidance (is) required across all sectors. **Report preparer, Netherlands**
- There is no discussion on external assurance practices to ensure integrity of reports. **Report preparer, Pakistan**

28% of opposing feedback

Certain elements of the proposed guidance should be clarified

Raised by seven respondents

The current presentation (i.e. position and formatting) of Proposal 4 measures blurs the lines between 'required versus encouraged' or 'expected disclosure versus supporting guidance'. Moreover, to clarify expectations and promote a better understanding of the new measures, the <IR> Framework should explicitly indicate the purpose underpinning such measures.

Concerns

- ... the inclusion of the two suggested disclosure points under Paragraph 1.20 of the Framework may suggest that they are obligatory to the users of the <IR> Framework. In view of this, we recommend that the examples be included in 'guidance' to the <IR> Framework. If the two suggested disclosures are meant to be mandatory, to support the statement of responsibility, then we would suggest re-phrasing these disclosures, instead of terming them as 'examples' for clarity. **Professional body, Malaysia**
- ... we recommend that the IIRC consider clarifying the part of paragraph 1.20 that is a requirement (compared with guidance). **Professional body, International**
- It is worth mentioning (in paragraph 1.20) that these items (process-related disclosures) contribute to the awareness of integrated thinking. **<IR> Network, Brazil**
- The Consultation Draft does strike an appropriate balance between maintaining a principles-based approach and usefully informing preparer considerations. However, the Draft should ensure to include at a minimum the purpose of a particular disclosure prior to giving examples. This approach will help preparers appreciate the reasoning behind the disclosure and not to use the examples as a checklist of what's required to be disclosed. **Professional body, Botswana**
- The content of the additional process disclosures in paragraph 1.20 overlaps with some of the information that would be found in a corporate governance report. This raises the broader question of the purpose and scope of the integrated report e.g. are the aims intended to be similar to those of the Strategic Report in the UK or the IASB's Management Commentary or is it intended to be a report that combines all the key elements of information that are typically found in the front-end of annual reports... We urge the IIRC to consider this as it will help determine disclosure content. **Regulator, UK**

17% of opposing feedback

The placement of examples is inappropriate

Raised by 4 respondents

To avoid a tick-box approach, the two classes of examples would be better placed outside of the <IR> Framework.

Concerns

- We recommend to refrain from mentioning examples in the <IR> Framework. **Professional body, Netherlands**
- ... there is need to review positioning of the examples included under Proposal 4: should the examples be included in this section or in an illustrative example? We are of the view that presenting the examples in this section may limit preparers, as they may only consider these two examples. Instead, we propose that the <IR> Framework stipulate the principles that those charged with governance should consider in determining processes that they should disclose. Specific examples, including those in P4, should be included in an illustrative example which should be published by IIRC. **<IR> Network, Africa**
- The <IR> Framework requires supplementary documents and FAQs to achieve the balance (between a principles-based approach and usefully informing preparer considerations). **Professional body, South Africa**

17% of opposing feedback

The guidance should reference and/or align with other initiatives

Raised by 4 respondents

The Proposal 4 amendments shown in the Consultation Draft should align more strongly with relevant external standards, frameworks and initiatives.

Concerns

- The absence of comparable, standardised information from companies is one of the most common concerns with the existing reporting guidelines. Companies and other issuers report using differing standards and KPIs, which makes investor analysis difficult and time consuming. **Investor, UK**
- It is good that the framework follows a principle-based approach and avoids duplicating the Topic definition work done by organisations such as GRI and SASB. Divergence between the framework's principles and those of the other reporting standards make it difficult to for reporters to report to a high quality against both. They also make it more difficult to interpret their reports. **Academic, China**

13% of opposing feedback

The guidance could prove to be counterproductive

Raised by 3 respondents

In citing the two classes of process information, paragraph 1.20 risks limiting the scope of considerations. The guidance might also serve to intimidate organizations already experiencing reporting burden and fatigue.

Concerns

- Trying to give examples can be off-putting to some users, as they may exclude some items that they don't think follow your examples, but under their own steam may have included. **Professional body, UK**
- There is the risk that additional disclosures become more cumbersome and burdensome for preparers - without adding significant value to users. **Report preparer, South Africa**

ROUNDTABLES

Q3

Roundtable participants were generally supportive of the proposal's balance between upholding the <IR> Framework's principles-based approach and providing sufficiently-detailed guidance to report preparers.

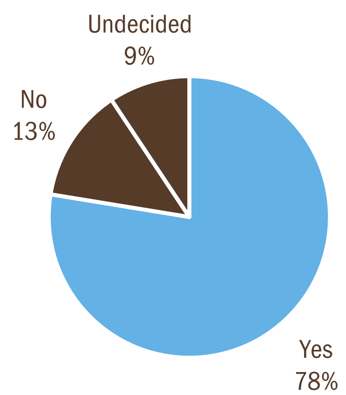
One participant raised a unique, yet noteworthy, concern. The broadening of Section 1G to include supplementary process disclosures (whether furnished voluntarily or not) might inadvertently dilute the core purpose of paragraph 1.20, which is to ensure organizational accountability and credible reporting through governing body oversight. Phrased differently, the expanded scope could shift the spotlight from Section 1G's **Board accountability** message to **process disclosures**, which are decidedly more operational in nature. This, argued the roundtable participant, would be an unfortunate consequence of the revision.

Q4 Does the Glossary sufficiently clarify the potential inclusion of management personnel in the scope of those charged with governance?

Feedback received during the focused engagement phase of the revision process confirmed a need to clarify the scope of the term ‘those charged with governance’ (ref: Q5, page 25 of the Companion Document to the Consultation Draft). In particular, three-quarters of respondents supported extending the Glossary’s definition of the term to include management personnel. The proposed amendment, which better accommodates variations in governance models, was shown as Proposal 5 of the Consultation Draft. Question 4 of the Consultation Draft probed the effectiveness of the amendment.

Of the 108 respondents to Question 4, 84 (78%) **support** the revised definition of those charged with governance. Professional bodies (17), academia (16) and report preparers (15) account for 57% of supporting responses. Support broadly falls along four lines.

Figure 4. Responses to Question 4



36% of supporting feedback — The revised definition is clear and unambiguous

Raised by 17 respondents

The revised definition of those charged with governance clearly and objectively achieves its purpose.

Testimonials

- The new definition is clear and concise. **Investor, USA**
- The new explanation makes the potential inclusion of management personnel more evident. **Consultant, Chile**
- The definition clarifies any ambiguity that could have been created in some quarters. **Professional body, Botswana**
- (The revised definition) provides clarity around the explicit role of management personnel, clearly providing specific examples (e.g. executive members of a governance board of a private or public sector entity, or an owner-operator), which reflect differences in size and ownership characteristics, also captures public and private sectors. **Consultant, New Zealand**
- The current wording specifically mentions the board of directors or corporate trustees but stops there. The new wording extends the definition of those charged with governance to management. It is the view of The Chartered Governance Institute that whilst the board has primary responsibility to set the governance culture of an organisation, management and, in particular, senior management has a significant responsibility as well. **NGO, UK**

36% of supporting feedback

The revised definition provides greater flexibility

Raised by 17 respondents

The amended version of the term ‘those charged with governance’ is more adaptive to varying circumstances.

Testimonials

- We agree with the proposal (P5) to extend the definition of ‘Those charged with governance’ in the glossary. This amendment will allow flexibility based on circumstances. We suggest that a not-for-profit entity also be included i.e. “...governance board of a private or public sector or not-for-profit entity, or an owner-manager”. **Standard setter, New Zealand**
- In our own opinion, the glossary sufficiently clarifies the potential inclusion of management personnel in the scope of those charged with governance. This is because it is members of the board that may be considered as those charged with governance. However, jurisdictional differences may mean that it is top management that is charged with such responsibility. We are therefore of the view that all jurisdictional variations when it comes to governance have been accommodated in the glossary, given that integrated reporting aims to satisfy the information needs of providers of financial capital. **<IR> Network, Nigeria**
- The inclusion in the Glossary of reference to management personnel, often in some standards preceded with the work “key”, adequately addresses both the notion of delegated responsibility and the wide variety of management structures that operate both between, and within, national jurisdictions. **Professional body, Australia**
- ... the proposed changes to 1G and the glossary should provide some additional clarification for preparers; they seem to allow for flexibility for preparers; and they will possibly enable investors to have a more focused discussion with preparers on the application of the <IR> Framework. **Investor, Netherlands**
- We consider that the Glossary sufficiently clarifies this potential inclusion and allows for a broad interpretation to ensure that all organisational models are covered. **Professional body, International**

21% of supporting feedback

The revised definition harmonizes with a well-established standard

Raised by 10 respondents

The alignment of the amended definition with ISA 260 is a welcome outcome.

Testimonials

- We understand that the proposed text is in line with the International Audit and Assurance Standards Board’s definition of “those charged with governance.” IMA supports definitional changes that harmonize with other generally accepted corporate reporting and auditing standards. **Professional body, International**
- We agree, since the definition of TCWG is practically similar to that shown in the Glossary of International Standards on Auditing, which are widely accepted. **Academic, Spain**
- We particularly support adoption of language and concepts from related frameworks, guidance etc., including reference to alignment with the IAASB Handbook definition and ISA 260. **NGO, Switzerland**
- It is important that the Framework in using the term maintains consistency with audit standards where it is also employed. **Professional body, International**
- We welcome closer alignment with ISA 260. **Assurance provider, International**

6% of supporting feedback

The revised definition offers other benefits

Raised by 3 respondents

The revised definition incorporates integrated thinking and better reflects the reality of a shared responsibility.

Testimonials

- ... we think that 'overseeing the integrated reporting process' incorporates integrated thinking in an outstanding way. We consider the inclusion of management personnel in the scope of 'those charged with governance' as very useful, as it confirms that integrated reporting is part of, and an outcome of, the integrated thinking of corporate management that needs to be applied at all management levels... **NGO, Germany**
- ... the inclusion (of management personnel) complements the application of integrated thinking in a practical way. **<IR> Network, Brazil**

Of the 108 respondents to Question 4, 14 (13%) oppose Proposal 5. A further 10 (9%) are undecided. Professional bodies (6), academia (5) and consultants (5) account for two-thirds of those opposed to, or undecided about, the related proposals presented in the Consultation Draft. Opposing views are presented below.

40% of opposing feedback

The revised definition may prompt governing bodies to delegate responsibility

Raised by 14 respondents

By expanding 'those charged with governance' to include management personnel, the <IR> Framework could open the door to a delegation of oversight and accountability from an organization's board to its management.

Concerns

- The previous paragraph was clearer, placing responsibility with the highest decision-making body. P5 may leave a way out for the Board to interpret it in a wider sense. As practitioners, we are now making headway in engaging Boards and the change may undermine that. **Consultant, Sri Lanka**
- The revised wording might imply that management assumes accountability for the integrated report. The glossary should clarify that the board is ultimately responsible/accountable... **Report preparer, South Africa**
- ... It may be appropriate to say that, in some jurisdictions, the governing body may include some members of management. **Professional body, Sri Lanka**
- The adjusted Glossary item 17 provides clear guidance on the potential inclusion of management personnel in the scope of those charged with governance. However, assuming the introduction of paragraphs 1.21 and 1.22, there might be some confusion on the issue of designating the party that is responsible... The inclusion (of management personnel) ... should not be interpreted in such a way that it would provide for delegation of accountability and substitute exemplified board of directors with the executives of the organization alone... a clear and explicit cross-reference (should) be made between the adjusted item 17 and paragraph 1.22, which, in the combined fashion, would propose to consider those charged with governance as the highest oversight or decision making body... among members of which management personnel of the organization may be present... **Report preparer, Russian Federation**
- The possibility to delegate to "management personnel" ... seems to weaken the accountability of top corporate governance bodies and their full engagement in sustainability-related issues. It can be argued that the same corporate governance bodies that are charged with approving the financial annual report should be also charged with approving the integrated report... **Academic, Spain**

37% of opposing feedback

The revised definition should be further clarified

Raised by 13 respondents

The definition of 'those charged with governance' can be further improved through simple amendments.

Concerns

- … the Glossary should be more explicit in differentiating between a unitary board and a two-tier board structure. **Regulator, UK**
- … we suggest replacing the term "management personnel" with "executive management", emphasizing the top management team… This is in line with paragraph 1.22, which makes it clear that the high level of governance is responsible for integrated reporting. **Industry organization, Brazil**
- The responsibility of those charged with governance covers the following two dimensions: 1. Ensuring the integrity of the integrated report; and 2. Overseeing the integrated reporting process. The definition covers only one dimension (overseeing the integrated reporting process). Either: (1) delete the second sentence, as the **responsibility** of those charged with governance has already been covered under paragraph 1.20… , or (2) add a sentence covering responsibility towards ensuring the integrity of integrated reporting. **Professional body, Pakistan**
- The Glossary - Item 17 provides two examples of those charged with governance – the board of directors or a corporate trustee… to apply in all sectors, we propose inclusion of similar terminology that is applicable in the public sector e.g. Municipal Council, the Accounting Authority… **<IR> Network, Africa**
- … we suggest adding an explanation as to why "owner-manager" is included… given that an owner-manager generally falls into the category of either an executive or non-executive board of director. If owner-manager needs to be included in the scope of those charged with governance in addition to governance board based on an assumption that a governance model could take place where an owner also serves as management personnel in such company, it should be clearly stated so in the <IR> Framework. **Professional body, Japan**

23% of opposing feedback

The revised definition should extend its scope

Raised by eight respondents

The definition of those charged with governance takes a step in the right direction, yet there is room for further content, guidance and flexibility. Moreover, the definition should more fully align with ISA 260.

Concerns

- The Draft <IR> Framework uses the same definition as ISA 260. ISA 260 also provides the definition of "management", that is not included in the Draft. As a consequence, the Draft is not clear as to those cases in which the inclusion of management personnel in the scope of those charged with the governance is necessary. We suggest the Glossary… also provide the ISA 260 definition of "management". **Industry organization, Italy**
- The amendments… do clarify the role of management personnel in the scope of governance, but the definition could have been amended more thoroughly so as to make it more streamlined. **Framework developer, UK**
- (We) recommend that reporters specify or define 'who those charged with governance' are, including roles and responsibilities, as this may not be readily apparent to readers… This will also provide readers with a better understanding of the distinction between the Board and management… **Professional body, South Africa**
- … we would like to see reference to not only public sector entities, but also to not-for-profit entities, as we view them differently from public sector organisations… **Assurance provider, UK**

ROUNDTABLES

Overall, participants of regional roundtables appreciated the inclusion of management in the definition of those charged with governance, a move that reflects the reality of some organizations' governance models, particularly those of smaller businesses. Across the range of roundtables, participants also noted further benefits:

- Senior management often plays a significant role in the preparation or oversight of the integrated report
- The revised definition of those charged with governance better aligns with that used by the IAASB
- The update might raise the impact and importance of integrated thinking within organizations.

Some speculated that the definition's mid-stream mention of integrated reporting (a sequence patterned after that of the IAASB in ISA 260) might serve to distract, rather than clarify. Participants suggested that the definition focus mainly on the governing body's oversight role and then finish by noting that integrated reporting is but one of the areas to be overseen.

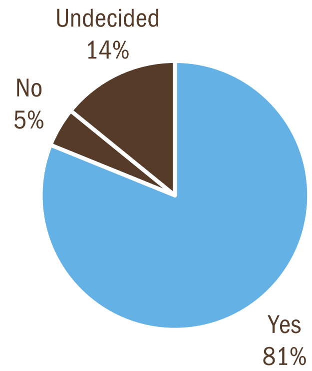
One regional discussion noted that the body responsible for financial reporting should also be responsible for the integrated report. During that same discussion, participants raised concern that the revised definition might be seen as a delegation of oversight responsibility to management. The latter proved a recurrent theme across several roundtables, an early indication that clarifying guidance might be necessary.

Finally, one participant recommended including the definition of 'those charged with governance' in the body of the <IR> Framework text. This advice was based on an observation that 'those charged with governance' often equates to a traditional view of boards of directors – and with this perspective firmly-entrenched, preparers are unlikely to visit the Glossary for confirmation.

Q5 Do paragraphs 1.21 and 1.22 sufficiently recognize variations in governance models?

Feedback to the IIRC's February 2020 focused engagement period (ref: Topic Paper 1 - Responsibility for an integrated report) highlighted confusion over how various governance models fit into the Paragraph 1.20 requirement. In response, the <IR> Framework Panel recommended the addition of paragraphs 1.21 and 1.22 to Section 1G of the <IR> Framework. These additions, tabled under Proposal 6 of the Companion Document to the Consultation Draft, recognized variations in governance models and pointed to one- and two-tier boards as an illustrative example. The example clarified that in the case of two-tiered boards, only one body is expected to provide the statement of responsibility.

Figure 5. Responses to Question 5



Question 5 tested the suitability of paragraphs 1.21 and 1.22 in terms of recognizing variations in governance bodies. Of the 107 respondents to Question 5, 87 (81%) **support** the Proposal 6 revisions as a means of recognizing variations in governance models. Academia (18), professional bodies (17) and report preparers (15) account for 57% of the supporting responses. Where respondents offer additional commentary, their supporting arguments are shown below.

47% of supporting feedback

The revision accommodates diverse governance models

Raised by 17 respondents

The addition of paragraphs 1.21 and 1.22 is a pragmatic way of accommodating the range of governance arrangements arising from different organizational forms, sizes and locations.

Testimonials

- We agree that the clarifications on variations of governance models are comprehensive. This is necessary as governance models vary internationally and the updated framework should reflect this fact. The change will help identify those charged with governance for the purposes of compliance with the <IR> Framework. **Professional body, UK**
- Clear recognition that governance structures vary as a function of jurisdiction, cultural and legal context, and size and ownership characteristics. **Consultant, New Zealand**
- It opens the opportunity for organizations with different governance models, from different jurisdictions, cultural and legal contexts to adapt to the <IR> Framework. **Academic, Brazil**
- It provides clarification and inclusiveness. **Report preparer, Turkey**
- We consider this clarification essential due to the diversity of organisational forms that exist in the world. In particular, in emerging economies. **Academic, Colombia**

19% of supporting feedback

The revision provides clear guidance to a particular market segment

Raised by seven respondents

Paragraph 1.21 clarifies the approach expected of two-tier boards with respect to the statement of responsibility for the integrated report.

Testimonials

- The proposal illustrates specific examples (specific reference to single-tier and two-tier board governance models), and in the absence of a universal governance model, suggests integrity through the commitment of the highest oversight or decision-making body. The example also clarifies that for two-tier boards, only one body is expected to provide the statement of responsibility. Therefore, the proposal provides clarity, but sufficient flexibility and inclusiveness to reflect diverse governance structures. **Consultant, New Zealand**
- The proposal introduces helpful guidance on how to identify those responsible for the integrated report in both “two-tier governance models” and “universal governance models”. **Report preparer, Italy**
- We support the proposal (P6) to clarify governance structures, and consider that the inclusion of two-tier boards will assist with decision making around the responsibility for the integrated report within an organisation where this scenario occurs. **Standard setter, New Zealand**

19% of supporting feedback

The revision reiterates the intent of paragraph 1.20

Raised by seven respondents

Paragraph 1.22 reminds preparers that, regardless of their particular governance model, the statement of responsibility intends to demonstrate ownership and accountability for the integrity of the integrated report. On this basis, preparers should apply judgement and appoint the responsible party or parties accordingly.

Testimonials

- The guidance is clear and reiterates the overall intention of the statement of responsibility. **Report preparer, South Africa**
- Preparers are adequately guided to identify "those charged with governance" - each organisation will have the necessary flexibility to assign accountability in a manner most relevant to their business / organisational structure. **Report preparer, South Africa**
- ... in the absence of a universal governance model, (paragraph 1.22) suggests integrity through the commitment of the highest oversight or decision-making body. **Consultant, New Zealand**

14% of supporting feedback

The revision maintains a principles-based approach

Raised by five respondents

Paragraphs 1.21 and 1.22 provide guidance without prescribing a set path. Preparers have sufficient flexibility to apply <IR> Framework concepts, regardless of individual circumstances.

Testimonials

- The proposed changes to 1G and the glossary should provide some additional clarification for preparers; they seem to allow for flexibility for preparers; and they will possibly enable investors to have a more focused discussion with preparers on the application of the <IR> Framework. **Investor, The Netherlands**
- We support the principle-based nature of paragraph 1.22 by considering the intent of paragraph 1.20 to determine the responsibility for the integrity of the integrated report. **Standard setter, New Zealand**

Of the 107 respondents to Question 5, five (5%) **oppose** the measures under Proposal 6. A further 15 (14%) are **undecided**. Professional bodies (6), consultants (4) and academia (3) account for 65% of opposing or undecided responses. Concerns with the addition of paragraphs 1.21 and/or 1.22 are summarized below.

73% of opposing feedback

The proposed text requires further enhancement

Raised by 16 respondents

To avoid confusion, paragraphs 1.21/1.22 should be more consistent with other <IR> Framework sections.

Concerns

- It might be worth including a cross-reference to paragraph 1.14 of the <IR> Framework. In particular, where an integrated report is prepared in response to existing compliance requirements, the governance model pertaining to those requirements will, by definition, apply. **NGO, Switzerland**
- ... paragraph 1.21 can imply that in a two-tiered model, the responsibility for oversight can be delegated to management. The responsibility could be shared to provide different levels of assurance, but the responsibility should not be delegate to management only. **Academic, South Africa**
- We recommend rewording “commitment of the highest oversight or decision-making body” in paragraph 1.22 to “commitment of the highest oversight and/or decision-making body,” provided that oversight function is not always separated from the decision-making body... we highly recommend a sentence should be inserted in the <IR> Framework, stating that there are cases where multiple bodies are jointly responsible for the oversight function. **Professional body, Japan**
- In paragraph 1.22, the phrase "In the absence of a universal model ..." can generate possible misunderstandings. Perhaps it would be more useful to express this concept in positive terms, e.g. "In presence of different governance models ...". Para. 1.22 risks creating more confusion than help. **NGO, Italy**

18% of opposing feedback

The revisions add minimal value

Raised by four respondents

The addition of paragraphs 1.21 and 1.22 offer limited insight or guidance. Furthermore, they support a requirement that is fundamentally unwelcome.

Concerns

- The proposed text in paragraphs 1.21 and 1.22 is unnecessary background information. It does not provide actionable guidance, but we have no objection. **Professional body, International**
- ... why is there a need to specifically tie someone to the report? Financial statements are prepared by the company and just signed by director for true and fair view etc. The integrated report should fall under the same responsibility. This will cut down the red tape and the need for more and more information... that doesn't necessarily tell you anything. **Professional body, UK**

9% of opposing feedback

The revisions may have unintended consequences

Raised by two respondents

Paragraph 1.21 risks encouraging boards of directors to delegate their oversight responsibility to management.

Concerns

- I am concerned that the wording would allow the delegation of the oversight of the integrated report to management. I believe that the responsibility needs to be placed with highest decision-making or oversight body in all governance models. **Academic, South Africa**
- ... the proposal moves away from the intent of integrated reporting, which is oversight from the highest governing body... especially those bodies that have non-executive members. By drawing attention to varying models, the proposal detracts from this principle. **Assurance provider, International**

ROUNDTABLES

The vast majority of regional roundtable participants appreciated the additional wording in paragraphs 1.21 and 1.22. This agreement was rooted in the observation that the paragraphs recognize variations in governance models.

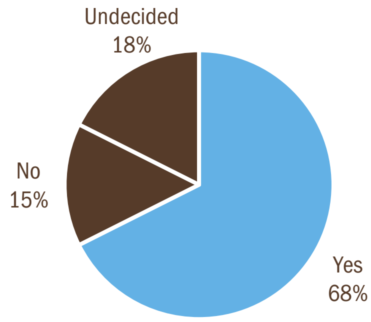
Tangentially, a small number of corporate governance specialists raised lingering concerns over a potential misinterpretation of the revised scope of 'those charged with governance'. (See section on Question 4 feedback.) These concerns were based on a belief that some <IR> Framework users will interpret the updated definition of 'those charged with governance' as transferring responsibility from board to management **(Interpretation A)**, rather than recognizing that, in some cases, management legitimately serves on (or as) the highest governing body **(Interpretation B)**. This feedback suggested a need to emphasize **Interpretation B** as the <IR> Framework's underlying motive, and to mitigate the risk of **Interpretation A** through clarifying guidance.

Q6 Does paragraph 4.19 sufficiently differentiate outputs from outcomes?

The IIRC's Topic Paper 2 – Business model considerations flagged market confusion between the concepts of outputs and outcomes. This observation was rooted in empirical and anecdotal evidence, as described on page 2 of the Topic Paper. During a period of focused engagement, survey respondents overwhelmingly supported efforts to better distinguish between the two concepts, with 95% favouring the proposal. In turn, Proposal 7a of the Companion Document to the Consultation Draft (ref: page 11) reinforced the definition of outcomes in paragraph 4.19 and provided a simple example to show the difference between outputs and outcomes.

Of the 108 respondents to Question 6, 73 (68%) **support** the changes. Academia (16), report preparers (14), professional bodies (11) and consultants (10) account for 71% of the supporting responses. Arguments favouring the proposed changes are outlined below.

Figure 6. Responses to Question 6



38% of supporting feedback

The stated objective of paragraph 4.19 is achieved

Raised by 35 respondents

Paragraph 4.19 successfully reinforces the definition of outcomes and differentiates it from outputs. In doing so, it raises the importance of an often overlooked or misapplied concept. The Consultation Draft also effectively links outcomes to value creation, preservation and erosion.

Testimonials

- Paragraph 4.19 sufficiently differentiates outputs from outcomes and, hence, provides a clear-cut elaboration on these two, which were previously too contradictory. **Professional body, United Republic of Tanzania**
- This is an especially helpful clarification of the guidance and is strongly supported. **Report preparer, UK**
- The distinction is made clear and this is well supported by the examples given. We support the separation of outcomes from outputs and see this as becoming a more fundamental distinction as time progresses and organisations reflect more on purpose as an objective. **Professional body, International**
- In our opinion, the additions made have a clarifying and supporting effect to make a proper differentiation between the two notions. Therefore, we welcome them. **NGO, Germany**
- We consider that paragraph 4.19 sufficiently differentiates between outputs and outcomes. The inclusion of examples also helps to ensure that the difference between outputs and outcomes is clear, although we encourage the IIRC to consider the inclusion of examples from other sectors to further support preparers' understanding. **Professional body, International**

35% of supporting feedback

The examples, in particular, are appropriately built for their purpose

Raised by 33 respondents

The examples are clear, concise, relatable and illustrative of the paragraph's underlying concepts.

Testimonials

- Our view is including the two examples to further explain what an (outcome) is will help those preparing and approving integrated reports. For the time being, we believe these two examples are sufficient, leaving open the opportunity for the IIRC to provide further examples in later versions of the <IR> Framework, if further guidance on this aspect of integrated reporting is deemed necessary. Our experience with integrated reporting to date is that those preparing integrated reports have indeed had challenges in differentiating outputs from outcomes. **Assurance provider, UK**
- The car example makes it easier for a reader to understand the concepts. **Investor, USA**
- We agree with the proposal to define outcomes and include a simple example to showcase the difference between outputs and outcomes. For those organisations that struggle thinking in terms of the capitals, the simple example provided to illustrate positive and negative outcomes is very helpful. The example describes the outcome, links it to the capital affected, explains whether it was a positive or negative effect on that capital and illustrates that more than one capital can be affected. **Standard setter, New Zealand**
- The use of examples facilitates visualization and understanding. **Academic, Brazil**
- I think linking outcomes to business consequences will bring more clarity - examples are clear and concise. **Report preparer, South Africa**
- We support the clarifications of outcomes as per paragraph 4.19 of the <IR> Framework and the example provided. Together, they provide a clear distinction between outputs and outcomes. In addition, we also welcome the second example (transportation company) illustrating positive and negative outcomes as it clarifies how value is created, preserved or eroded from the outcomes of the business activities and outputs. **NGO, Belgium**

27% of supporting feedback

The combined use of a definition and examples is effective

Raised by 25 respondents

The two-pronged approach of reinforcing the definition of outcomes and providing illustrative examples is appropriate and effective.

Testimonials

- We support the distinction between outcomes and outputs, which is made clearer by the definition of outcomes and the example provided in Paragraph 4.19. The examples are useful to differentiate outcomes and outputs and the second example identifies both positive and negative outcomes. **Report preparer, South Africa**
- The description and examples provided help to understand the differences between output and outcome, and gives an idea of the information required by the framework. **Report preparer, Spain**
- The additions to para. 4.19 provide worthwhile illustration of this distinction. However, we would caution against the potential risk of <u>further</u> proliferation of text within a principles-based framework which might be better placed in supplementary guidance. **Professional body, Australia**

Of the 108 respondents to Question 6, 16 (15%) **oppose** the measures under Proposal 7a. A further 19 (18%) are **undecided**. Almost two-thirds opposing or uncertain about the Consultation Draft's related revisions represent professional bodies (11), consultancies (6) and academia (5). Key areas of opposition – whether raised by those who ultimately support, oppose or are uncertain about the proposal – are summarized below.

34% of opposing feedback

Further guidance is needed

Raised by 29 respondents

Additional support, particularly in the form of sector-specific guidance, would help report preparers connect concepts to reality. Beyond the 'car example', which considers outcomes for social and relationship capital, financial capital and natural capital (in that order), how might an organization identify and track outcomes related to manufactured, intellectual or human capital? And should it differentiate between internal versus external outcomes, or those beyond its direct control? Other opportunities for guidance – whether in the <IR> Framework, FAQs or supplementary guidance – include: (1) clarifying competing or confusing terminology and (2) treating disclosures related to by-products and waste.

Concerns

- Examples given are manufacturing concerns; suggest to include an example of how a services firm differentiates outputs from outcomes. **Academic, Malaysia**
- We would like to encourage the IIRC to also include examples from other sectors, such as services, financial institutions, the public sector and non-governmental organizations. We believe that the output/outcome differentiation in such sectors is not as obvious and may therefore be more challenging in practice. **NGO, Germany**
- The disclosure of outcomes beyond the control of the organisation may be limited as the organisation may be wary of potential legal liabilities as a result of these disclosures. Therefore, guidance for reporters on how to balance between transparency and not accepting unnecessary risk is required. **Professional body, South Africa**
- The concept of outputs and outcomes, and the definition thereof, is driven by the <IR> Framework. In many instances, it has been unique to external integrated reporting - while not being well understood within a business (where different terms are utilised). Businesses therefore may conflate the two when reporting - or may find it difficult to explain the concept clearly to users. **Report preparer, South Africa**
- Practically, there is a limit to the level of detail the Framework can cover on the distinction between outputs and outcomes. Figure 2 in its original format was based on the Kellogg's Logic Model and the W.K Kellogg Foundation has some great resources for evaluating outputs and outcomes. We suggest referencing their work. **NGO, Switzerland**

20% of opposing feedback

Certain aspects of paragraph 4.19 need clarifying

Raised by 17 respondents

Certain elements of paragraph 4.19 continue to be vague or confusing. With this in mind, the IIRC should consider further amendments for clarity. Suggested changes range from minor editorial tweaks to more comprehensive proposals.

Concerns

- We consider that the example in revised paragraph 4.19 is helpful but would encourage the IIRC to use plain language in the text so it is readily understandable. **Regulator, UK**
- In the first example, it should be made clear that the organisation manufactures combustion-driven vehicles. The second example is very vague which might encourage vague disclosures. We suggest that a more appropriate example be provided. **Professional body, Sri Lanka**
- For the automobile manufacturer, in addition to depletion of fossil fuels, it would enhance completeness to draw the link to climate change/greenhouse gas (GHG) emissions from the use of fossil fuels. The second boxed example on the large transportation company provides good connectivity to the capitals, but drifts away from the positive and negative outcomes-based language to “effects”. This would be relatively easy to fix to ensure consistency across this section. **Consultant, Australia**
- We suggest to specify the definitions of outcomes, effects and impacts and the difference, if any, among them – as all these terms are used in the Draft. **Industry organization, Italy**

17% of opposing feedback

The scope of paragraph 4.19 should expand

Raised by 15 respondents

Paragraph 4.19 should extend its content and connectivity. In particular, there are opportunities to: (1) reinforce the importance of perspective when assessing outcomes, (2) include examples that span short-, medium- and long-term time frames, (3) feature related themes, including impacts, (4) connect outcomes to corporate purpose and (5) link to the Sustainable Development Goals.

Concerns

- We recommend offering more clarity on definition of outcomes and (wider) impacts. Does the definition of impacts align sufficiently with the definition that is commonly used with 'impact measurement'? **Professional body, Netherlands**
- In the first paragraph of 4.19, I propose to replace the word "consequences" with "impacts" or "effects". The word "impact" is generally used in many CSR and Sustainability Reporting frameworks. In the last paragraph of 4.19, the word "effects" to be replaced with the word "outcomes" as the word outcomes is used by the framework to outline the concept. **Professional body, Pakistan**
- It should be clearly mentioned in the <IR> Framework that organizations consider conflicts among stakeholders when evaluating the value of outcomes (positive and negative). An organization’s strategic decision-making and actions may cause positive outcomes for some stakeholders but negative outcomes for others... We recommend that the example illustrated in paragraph 4.19 take this into consideration. **Professional body, Japan**

12% of opposing feedback

The placement of examples is inappropriate

Raised by 10 respondents

Illustrative examples are best placed in an appendix to the <IR> Framework or in a separate guidance document.

Concerns

- Make the examples in a separate supporting document, rather than as part of the Framework, so that (a) the examples can then be updated without reissuing the Framework; (b) the Framework is kept as a brief statement of principles. **Report preparer, China**
- It might be beneficial for the IIRC and users of the <IR> Framework if illustrations and examples were put in a specific section of the <IR> Framework and referenced to the core paragraphs (e.g. paragraph 4.19). This would allow the core Framework to maintain a style-neutral approach (as paragraph 4.19 examples are quite rare types of content in the <IR> Framework). Additionally, by delivering the illustrations beyond the <IR> Framework the IIRC would propose a more flexible approach to its project agenda: (1) By being part of the <IR> Framework, illustrations could set the approach to the delivery of specific items by preparers – which might be not the intent of the IIRC, (2) Illustrative examples document would be authoritative if issued by IIRC even with "does not constitute part of the <IR> Framework" remark, and (3) Illustrative examples document could be enriched and enhanced in a more agile and independent fashion in response to market requests without the need to revise the <IR> Framework. A stand-alone document on illustrative examples and the development of the IIRC Integrated Reporting Examples Database would allow practitioners to have the option to consider approaches applied globally in delivering their message. **Report preparer, Russian Federation**

7% of opposing feedback

The examples are overly simplistic

Raised by six respondents

The examples overlook real-world complexity and are, therefore, of limited utility.

Concerns

- The framework is diving into a complex area and over simplifying it. In particular, it focuses on the products the company sells but fails to consider the impact of what it purchases. **Academic, China**
- This is a complicated area and it is unclear whether the simple examples provided will help when the situation is more complicated such as consideration of supply chain impacts. To allow for development of more examples addressing more complex scenarios, examples should be located outside the body of the <IR> Framework. **Professional body, China**
- The examples provided are highly simplified and do not reflect the complexity organizations are dealing with in practice. It would be helpful, if both examples in 4.19 were connected and not be separated from each other concerning their content. What about examples for relevant negative social effects? How do organizations most efficiently identify relevant external key outcomes? **Consultant, Germany**

10% of opposing feedback

Paragraph 4.19 presents other sources of concern

Raised by nine respondents

Other concerns about the content and intent of paragraph 4.19 (and surrounding paragraphs) linger. From a perceived confluence of definitions to scepticism over the IIRC's ability to encourage neutral disclosures, there are opportunities to more fundamentally evolve Section 4C of the <IR> Framework.

Concerns

- I believe that paragraphs 4.18 and 4.19 should be completely revised. They are vague and do not provide clear guidance. Paragraph 4.18, although not under consideration, suggests that emissions can be considered as outputs. If they are material enough to disclose then they should be classified as outcomes. Paragraph 4.19 suggests that positive and negative outcomes can be netted off. While this wording has not changed, I believe in certain circumstances this can lead to misleading disclosures. **Academic, South Africa**
- Few companies are using the business model in their reports. I am unsure if this makes it any clearer than before or will entice companies to improve this part of integrated reporting, especially if the outcomes are detrimental to the company, stakeholders, society or the environment. **Academic, Australia**

ROUNDTABLES

Q6

The inclusion of an example to distinguish outputs from outcomes was universally supported across the regional roundtables, as was the example distinguishing positive and negative outcomes.

Some recommended including a service-based industry example. This advice suggested perhaps too subtle a distinction between the first example (manufacturer of automotive **products**) and the second (purveyor of transportation and logistics **services**).

One roundtable participant suggested that the car manufacturing example extend its mention of fossil fuel depletion to also include greenhouse gas emissions and climate change effects. A second participant questioned whether the <IR> Framework would consider CO_2 emissions arising from manufacturing as an output or an outcome.

In reference to the service-based example (i.e. transportation and logistics company), one participant suggested repositioning the 'workforce' point as a **negative** outcome, perhaps by citing high turnover or low internal promotion relative to industry peers. This advice was offered in the interest of providing a more balanced example.

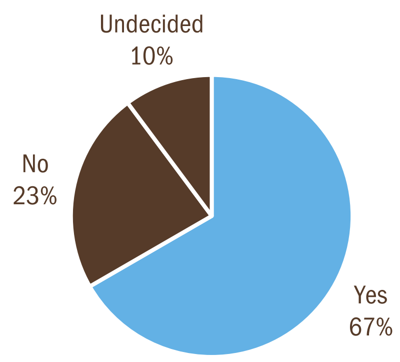
Finally, several roundtable discussions called for more sector-specific examples on the basis that these provide additional help to preparers, as output-outcome linkages can vary considerably from industry to industry.

Q7 Does Figure 2 effectively distinguish outputs from outcomes and link outcomes to value creation, preservation or erosion?

In addition to the outputs-outcomes measures summarized in Question 6, the Consultation Draft included related changes to Figure 2 (process through which value is created, preserved or eroded). In particular, the revised diagram emphasized the distinction between a business model's **mechanism** (which transforms inputs into outputs through business activities) and **results** (outcomes). The diagram also applied different colours to the outputs and outcomes elements of the business model to more clearly distinguish the two. Finally, colour choices more visibly connected outcomes to the right-most capitals, reinforcing the definition of outcomes as "the internal and external consequences (positive and negative) for the capitals…".

Of the 108 respondents to Question 7, 72 (67%) support the changes. Academia (16), professional bodies (14), report preparers (11) and consultants (11) account for 72% of the supporting responses. Points favouring the proposed changes are outlined below.

Figure 7. Responses to Question 7



39% of supporting feedback — The amendments achieve the stated objectives

Raised by 35 respondents

The revised version of Figure 2 better distinguishes outcomes from outputs and clarifies the essential link between outcomes and broader value creation.

Testimonials

- The new figure 2 clarifies the difference between outcome and output and the temporal issue (short, medium, and long-term outcome) through a better choice of colors. **Industry organization, Brazil**
- We believe the changes to Fig. 2 are an improvement on that currently shown in the <IR> Framework and when cross-read with the narrative in associated paragraphs 4.18 and 4.19, provides suitable understanding of this distinction. No such diagrammatic representation can fully capture the subtleties and complexity of the evolving context. **Professional body, Australia**
- The small amendments to Figure 2 will assist users' understanding of the differences and the links to value creation, preservation and erosion. **Framework developer, UK**
- It effectively distinguishes outputs from outcomes, as the latter is the result of the whole cycle originating from input (resources) and whether the effort bore fruit or not. Output is a process not a result, whereas (outcomes) depict the variations from the desired result. The figure clearly explains the difference. **Consultant, Pakistan**
- We agree that the proposals in Figure 2 effectively distinguish between output and outcomes and link with how the business creates, preserves or erodes value over time. **NGO, Belgium**

37% of supporting feedback

The diagram simplifies the value creation, preservation or erosion depiction

Raised by 33 respondents

From a stylistic perspective, minor tweaks to Figure 2 have afforded a 'cleaner' picture of the process by which value is created, preserved or eroded. Simple colour changes not only separate the process-oriented elements of the business model from the results of that process, but they also created a more obvious connection to the six forms of capital referenced in the <IR> Framework.

Testimonials

- The two-colour depiction of the value process is preferable to the multi-colour version, which was distracting. **Standard setter, New Zealand**
- The graphic is reader-friendly. **Investor, USA**
- The differentiation in fill and background colours provides visual clarity, the linearity of the representation locating the outputs aptly. **Report preparer, South Africa**
- The new lay-out makes it more clear that the outcomes are related to the capitals. The fact that for outcomes, the outcome capitals are printed in the same colour is clear. **Academic, Netherlands**
- It does better distinguish between outputs and outcomes, appearing to directly link to the six capitals. **Investor, UK**
- The new figure is definitely an improvement from the previous one. **<IR> Network, Brazil**

24% of supporting feedback

The revised diagram provides other enhancements

Raised by 21 respondents

The new version of Figure 2 incorporates other core ambitions of the <IR> Framework revision. These changes – such as the reinforcement of longer-term time frame considerations and potential for value preservation or erosion scenarios – are unrelated to the question posed, but are nonetheless worth highlighting.

Testimonials

- The title of the diagram, stating "value created, preserved or eroded" is a good point. It should induce more transparency on the part of companies, which tend to present only their value creation process and focus on positive impacts. We consider this as an essential point of the new proposal. **Industry organization, France**
- We are convinced that the modified presentation of this figure, which is very central to the <IR> framework, is helpful in delivering its intended message. It allows a clearer interpretation of the core aspects of IR. We consider the additions of "purpose", "value preservation and erosion" (as a counterpart to value creation) as very positive in this sense. **NGO, Germany**
- We appreciate the additional clarity in Figure 2 by making reference to "the process through which value is created, preserved or eroded. The diagram has been enhanced and will enabled users of the <IR> Framework to better understand the value creation process. **<IR> Network, Africa**
- We agree with the proposed textual changes. We agree with the addition of the word "purpose" ... We agree with the addition of "short, medium, and long term" to the word outcomes because it is critical for market participants to consider sustainability and long-term decision-making. **Professional body, International**
- We appreciate that Figure 2 underlines the importance of outcomes in the short, medium and long term, and the concept of value creation, preservation and erosion is highlighted. **Industry organization, Italy**

Of the 108 respondents to Question 7, 25 (23%) **oppose** the Proposal 7b measures outlined in the Companion Document to the Consultation Draft (ref: pages 11 and 13). A further 11 (10%) remain **undecided** on the basis that Figure 2 takes a step in the right direction, but needs further work. Just under 70% of those opposed to, or uncertain about, the revisions presented in the Consultation Draft represent professional bodies (9), report preparers (6), academia (5) and consultancies (5). Key areas of opposition – whether raised by supporters, opposers or those undecided – are summarized below.

62% of opposing feedback

Figure 2 should be adjusted for clarity

Raised by 49 respondents

Certain design features will improve both the substance and form of Figure 2. Possible modifications range from the **simple** – including colour, shape and text changes for function and aesthetic – to the **complex**. Complex considerations include: (1) introducing new concepts, such as 'values' and 'impacts', to the existing model, (2) providing sector-specific variants and (3) portraying a non-linear process characterized by: (a) continuous interaction between internal and external environments, (b) dynamic trade-offs and interdependencies between capitals and (c) past and future time dimensions, as well as short-, medium- and long-term time frames.

Concerns

- What is difficult to appreciate through this visual is that, depending on the capital, there may be different degrees of value creation, preservation or erosion at the same time. **Report preparer, South Africa**
- As outcomes include external consequences as well as internal consequences, the brown-colored circle of outcome in Figure 2 should be "on" the gray line, not inside, to present half of the circle outside the line, thereby indicating that outcomes also affect external environment. In this way, we believe Figure 2 can effectively distinguish outputs from outcomes. **Professional body, Japan**
- ...the positioning of outcomes across the organisational/external environment boundary does not sufficiently convey the fact that outcomes are both internal and external. The text referring to value creation, preservation or erosion also appears physically disconnected from the business model. As fundamental concepts they should visually have a higher priority and be seen to be integral to the integrated approach. **Report preparer, New Zealand**
- Figure 2 distinguishes the outputs from the outcomes, however if analyzed in isolation - without the content of the Framework - it suggests that the increases, decreases, transformations or changes in the capitals (value creation) should be identified only in the inputs and outcomes. Thus, the link to creation, preservation or erosion of value is not evident in activities and outputs. **Academic, Brazil**
- ... Outcomes which are Outputs of suppliers are also significant. These are not shown here. Proposed solution: Have Figure 2 only cover Inputs and Outputs. Add a footnote stating: 'An organization should also consider and report on significant impacts on capitals of Outcome from the activities of its Suppliers and Customers. **Academic, China**
- We would seek Figure 2 to illustrate and conceptualise non-linear and integrated flows. Reporters should be encouraged to disclose how capital might be transformed within one domain or across capitals, and what relationships and interdependencies exist between the capitals, and the stakeholders impacted. To do this, Figure 2 needs to provide the foundational concepts for integrated flows. Linear flows that start and end in a grey box is not integrated... It would also be helpful if the model depicted inputs being extracted from the external environment within the limits of planetary boundaries. A reporting audience should be able to understand the flow of value from source, including who benefits, how, who is included in determining this value and how business decisions are made given this knowledge. **Consultant, Australia**

19% of opposing feedback

The narrative accompanying Figure 2 should be updated

Raised by 15 respondents

The changes to Figure 2 may require deeper explanation, either within the <IR> Framework or in a separate guidance document.

Concerns

- The value creation process diagram is trying to distill into a graphic device a complex set of ingredients and processes. As such, there is a limit as to what a single graphic device can achieve. The changes are an improvement and should be implemented, but the reader will need to understand the narrative along with the diagram. **NGO, UK**
- The diagram distinguishes outcomes from outputs. However, it would be beneficial to include a description of the enhancement made in the narrative. The emphasis to include short, medium and long-term outcomes and the impact to value creation can be further enhanced by providing illustrative examples on how the outcomes, especially over the medium and longer term can be presented succinctly in the business model. **Professional body, Malaysia**
- Figure 2 is not always well understood and would perhaps benefit from an accompanying narrative explanation. In particular, any accompanying narrative should make it clear that it is a not a model that needs to be strictly followed, but rather a suggestion of the elements that an organisation might need to consider when preparing an integrated report (i.e., not every aspect of the diagram will be relevant to every organisation). **Professional body, UK**
- Additional guidance might be provided by the <IR> Framework by:
  - Matching the outcomes concept used in the Framework with value proposition used in the business context to provide another layer of analytical differentiation between outputs (products and services) and outcomes (where value propositions are embodied with those outputs)
  - Supplementing the governance cycle (strategy and resource allocation, risks and opportunities, performance, and outlook) with the management cycle (e.g. planning, organizing, monitoring, control) to provide another level of integrated thinking dissemination and hence to support integrated thinking adoption and implementation. **Report preparation, Russian Federation**

11% of opposing feedback

The diagram does not fulfil the stated objectives

Raised by nine respondents

The Figure 2 changes are so minor, or subtle, that they fail to adequately distinguish outcomes from outputs or link outcomes to value creation, preservation or erosion.

Concerns

- Figure 2 provides an improved description of value creation and visualization supporting integrated thinking; but still, the changes are not sufficient to effectively distinguish outputs from outcomes. **Report preparer, Turkey**
- It does not effectively distinguish outputs from outcomes… Figure 2 is too complex to be helpful, and doesn't make clear the expression "value creation." Because the word "value" is not in the figure, and appears only outside the figure in the title, it could be confusing as a standalone. **Standard setter, USA**
- I don't envisage many differences between previous figure and new one, what really makes a difference in the clarification of the concepts are the examples mentioned in response to Q6. Additional examples or case studies would be more helpful to effectively distinguish both concepts. **Report preparer, Spain**

8%
of opposing feedback

Figure 2 has other inherent flaws

Raised by six respondents

Certain aspects of the diagram's scope are unwelcome; others could spark unintended consequences, including a perception that all outcomes are to be addressed along three distinct time frames. Furthermore, Figure 2 strives to capture an intricate system of stocks, flows and relationships, a tall order for a two-dimensional image. With this in mind, the diagram should instead serve as an 'anchor for <IR> Framework content', rather than a conceptual model for businesses. Although such observations go beyond the scope of Question 7, they are worth highlighting.

Concerns

- The proposal to synthesize the value creation model of the company in the form of a diagram is interesting but often restricts companies in their expression. It seems important to us to present this diagram as an opening to reading the report, where the different points are developed (for example by advising to systematically provide it with references to the chapters concerned). The diagram is only worth doing if it is accompanied by a good narrative and KPIs chosen in a relevant and transparent way (both good points and negative points). **Industry organization, France**
- ... understanding the impacts of a company's activities arising from its business model is an integral part of understanding how a company creates value over the longer term. However, we disagree with the visual representation of this in Figure 2 as being part of the description of the company's business model... we believe companies should have flexibility in presenting their business model, as set out in the FRC's Guidance on the Strategic Report... Figure 2 in the <IR> Framework can imply that there is only one way to approach business model reporting and could result in a process-driven approach. We encourage the IIRC to highlight that the diagram is an illustration only. We note that some companies that use the <IR> Framework in the UK use the diagram as a visual template and go through each of the capitals regardless of relevance to the business. **Regulator, UK**

ROUNDTABLES

Q7

The visual techniques used to differentiate outputs from outcomes in Figure 2 were supported, as was the reference to short-, medium- and long-term outcomes. Some roundtable participants remarked that the clearer distinction between outputs and outcomes provides an opportunity for assurance providers to push for improved disclosures.

The inclusion of 'purpose' alongside 'vision and mission' was also seen as a positive. In the Australian roundtable, some noted that the term purpose went undefined; others wondered whether the three terms might overlap.

A few participants felt that the changes did not go far enough to differentiate outcomes from outputs, and suggested that the former be depicted as 'separate from the business model'. In a similar vein, some remarked that outcomes result from the business model 'as a whole', rather than from its individual components.

One participant asserted that some outcomes stem directly from inputs, a point seemingly overlooked in both the original <IR> Framework and the proposed revision. (The counterpoint here is that **input** characteristics such as cost, quality, availability and composition have their more direct bearing on the nature of **business activities** performed and/or the attributes of the organization's **outputs**. In this sense, the influence of inputs on **outcomes** is exerted through, and by, the business activities and outputs components, both of which are captured in the Glossary's definition of outcomes.)

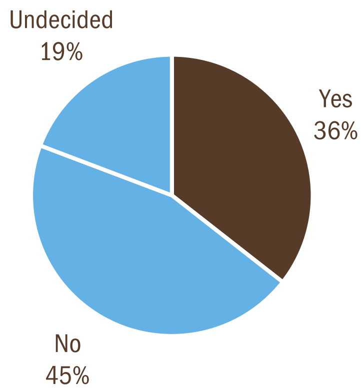
Finally, one participant suggested that the <IR> Framework place greater emphasis on the difference between those outcomes that are controllable/intended versus those that are uncontrollable/unintended.

Q8 Does the final sentence in paragraph 4.19 sufficiently encourage evidence-based reporting of outcomes?

A 2016 study by the IIRC found that a quarter of integrated reports sampled framed results favourably by using promotional language and tempering negative results. On this basis, and with clear market support (ref: Companion Document to the Consultation Draft, Proposal 8, p. 11), the Consultation Draft added a new sentence to paragraph 4.19 to encourage balanced and more credible disclosures.

Of the 105 respondents to Question 8, 47 (45%) **oppose** the new sentence as written, with a further 20 (19%) **undecided**. Professional bodies (18), academia (10) and consultants (10) constitute 56% of those against or unsure about the proposed sentence. Arguments favouring a re-examination of the approach centre on five themes.

Figure 8. Responses to Question 8



40% of opposing feedback

The purpose of the sentence should be more clearly stated

Raised by 44 respondents

The addition to paragraph 4.19 is supported; however, its purpose should be much more explicit. The current 'loose encouragement' of well-substantiated claims should be upgraded to a more overt expectation or recommendation. It must also be clear that this sentence applies to disclosures about outcomes.

Concerns

- We understand the spirit of what is intended but consider that the language could be clearer and highlight that metrics and qualitative information would aid reporting on outcomes/impacts. **Regulator, UK**
- The wording needs to be more robust to clarify that positive and negative outcomes must be evidence-based, to ensure that reporting is balanced and not only biased towards positive outcomes in order to achieve good disclosures. **Report preparer, South Africa**
- When looking at the final sentence in 4.19 marked P8, I struggle to see how this encourages evidence-based reporting of outcomes. **Report preparer, Denmark**
- The final sentence of paragraph 4.19 makes clear that reporting, generally speaking, will need to be based on both quantitative and qualitative information, which we applaud. However, if the <IR> Framework aims to encourage disclosure that is more evidence-based, then it is not clear to us why this is not explicitly and directly stated... **Investor, Netherlands**
- In our opinion, the concluding sentence in paragraph 4.19, as presented, does not provide a basis for pushing evidence-based disclosures. This applies analogously to the term "ordinarily", which further weakens and relativizes the underlying demand for evidence-based information. **NGO, Germany**
- The proposed sentence is expressed in passive neutral terms and is merely an observation of what an organisation would preferably do. More forthright expression would be along the lines: "An organisation should [or perhaps even ideally] communicate its use..." **Professional body, Australia**
- I think the term 'evidence-based' itself sounds vague. It needs to be made clearer as in 'reported outcomes can be validated or proven'. Simpler word choices would help. **Consultant, Malaysia**

23% of opposing feedback

The scope of the sentence should be extended

Raised by 25 respondents

Minor changes can reinforce related concepts and provide practical guidance. Amendments can acknowledge the measurement and attribution challenges preparers face, particularly for broadly-felt outcomes. They can also reinforce the importance of management information and need to disclose measurement methodologies.

Concerns

- We urge the IIRC to stress the importance of evidence-based reporting… and in particular for entities to make use of the management information that they have available to support a point of view. **Professional body, UK**
- … we consider it important to also note the challenges associated with evidence-based reporting, in particular attribution of a specific outcome to the organisation's activities. **Professional body, International**
- … it may be clearer to preparers that they should communicate the effects on the capitals through both quantitative and qualitative information, and indicate the reliability of the information that is disclosed e.g. through the application of internal audit or external assurance. **NGO, Switzerland**
- As the integrated report is different from other disclosures… it must be taken into account that it takes time for companies to get used to and use this new "lens" to see their business. In order to obtain this type of information, they need to adapt their performance measurement systems, being necessary to evaluate the cost and relevance of the information that will be obtained, taking into account that for decision-making purposes they need to be timely and not just elaborated to the annual report. **Academic, Brazil**
- … it should be noted that since there are not specific methodological references, the methods of identification and quantification may be subjective, and dependent upon different practitioners. When referring to quantitative information, the draft should require the organization to explain the methodologies used for the quantification. **Industry organization, Italy**

16% of opposing feedback

The features of 'good evidence' should be included in the sentence

Raised by 17 respondents

To support evidence-based disclosures, paragraph 4.19 should point to key attributes such as objectivity, reliability and verifiability.

Concerns

- The wording is clear in respect of positive and negative outcomes (i.e. balanced reporting) - but perhaps not as clear in terms of evidence-based reporting. **Report preparer, South Africa**
- While the sentence certainly reinforces the guidance to consider quantitative as well as qualitative impact, it does not do much, if anything, to promote ready verifiability (evidence-based nature) of either class of impact. **Report preparer, South Africa**
- … the evidence-based aspect is not fulfilled by the amendments made. Perhaps it would be helpful here to make note of the key characteristics of evidence-based and decision-useful information, e.g. reporting principles 3E, F and G of the Framework. **Framework developer, UK**
- Evidence-based reporting should also include fundamental principles and requirements of reliability and completeness amongst others. **Professional body, South Africa**
- We see little reference to evidence-based reporting in 4.19. There needs to be a reference to section 4F on reliability and completeness where this is emphasised. We also note that evidence-based reporting of outcomes can only be part of the means of achieving reliable and complete reporting. A balanced selection of evidence to report is also needed. **Professional body, International**

11% of opposing feedback

The addition of the sentence is fundamentally unwelcome

Raised by 12 respondents

The proposal simply repeats points raised elsewhere in the <IR> Framework and, on this basis, is redundant. It adds unnecessary complexity and is unlikely to influence preparer behaviour. The IIRC's measures in this area should be fundamentally bolder, beginning with new or modified Guiding Principles.

Concerns

- It is already common practice to analyse the effects on the capitals by both qualitative and quantitative information. This text only emphasizes what is already done... In order to avoid the risk of positive portrayal, it would be wise to emphasize balance by turning balance into a separate guiding principle, or by adding neutrality as a guiding principle. **Academic, Netherlands**
- The final sentence of paragraph 4.19 does not specifically encourage evidenced-based reporting of outcomes. In our view, it does not need to. All content of an integrated report, including the reporting of outcomes, should be evidence-based. **Academic, Australia**
- I don't think it will improve the disclosures. Companies will report what they want regardless. **Academic, Australia**
- Providing evidence to back up claims and conclusions is in the spirit of the <IR> Framework, but it introduces significant complexity that is not required for financial reporting, nor by other nonfinancial reporting frameworks. **Standard setter, US**
- We would recommend that the IIRC consider including verifiability as a guiding principle in the <IR> Framework. **Standard setter, New Zealand**

9% of opposing feedback

The sentence should be supported by further guidance or examples

Raised by 10 respondents

To implement the recommendation, or encouraged practice, report preparers require further guidance, whether in the form of principles or illustrative examples.

Concerns

- ... rather than "encourage" evidence-based outcomes, practitioners, particularly preparers, need actionable guidance on how to do this. More specific guidance on evidence-based reporting of outcomes is needed before we can see widespread implementation **Professional body, International**
- The proposal is correctly asking for more evidence-based reporting of outcomes. However, it would be useful to provide some examples on which type of evidence could be used in different contexts. **Report preparer, Italy**
- ... it's important to provide examples of outcomes relating to all the capitals to better enable those charged with governance to communicate the effects on all capitals qualitatively or quantitatively. In addition, specify principles to be considered to achieve evidence-based reporting of outcomes. **<IR> Network, Africa**

Of the 105 respondents to Question 8, 38 (36%) support the changes as written in the Consultation Draft. Academia (11), report preparers (7), professional bodies (6), and consultants (6) represent just short of 80% of all positive responses. The following arguments support the proposal as presented.

60% of supporting feedback

The sentence reinforces the importance of qualitative/quantitative information

Raised by 15 respondents

The proposed text underscores the importance of providing metrics or measures, where available, as well as contextual information through narrative. The sentence's link to paragraph 1.11 is useful in this regard.

Testimonials

- The final sentence sufficiently encourages the value attached to evidence-based disclosures attached with quantitative outcomes and encourages honesty over window-dressing or overemphasis of something which exists less, or not at all. **Consultant, Pakistan**
- The proposed wording is helpful in clarifying the need for qualitative and quantitative reporting of outcomes. **Assurance provider, International**
- This is achieved by the link provided to paragraph 1.11. **Professional body, Botswana**

40% of supporting feedback

The sentence fulfils its objective of discouraging unsubstantiated claims

Raised by 10 respondents

The added sentence is clear and achieves its purpose of reinforcing the need to back, or demonstrate, claims through supporting evidence, wherever possible.

Testimonials

- The change is positive in the sense of a greater emphasis on the use of quantitative and qualitative information that supports the results. This should increase the transparency of the reports, with information that portrays the organization's situation/context. **Industry organization, Brazil**
- We believe the final sentence that has been included (i.e. "Ordinarily, an organization communicates its use of and effects on the capitals through a blend of qualitative and quantitative information (see paragraphs 1.11 and 5.6-5.7") is sufficient for the time being... we note that the IIRC can always add further guidance if the proposed wording does not consistently produce what was intended. **Assurance provider, UK**
- Reminding users of the <IR> Framework that value creation and erosion should be specified quantitatively and qualitatively is adequate. **Consultant, India**

ROUNDTABLES

Q8

Participants noted that paragraph 4.19's final sentence did not adequately build the case for its inclusion. That is, it neither flagged a clear problem (i.e. imbalanced reporting) to be solved, nor did it sufficiently encourage evidence-based reporting of outcomes.

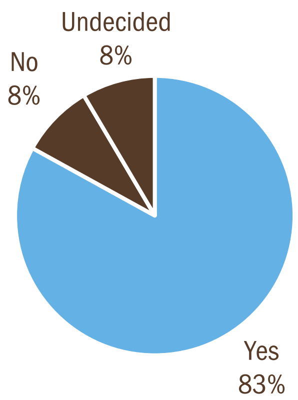
Across numerous roundtables, there was strong support for a more literal approach through the use of the word 'evidence'. Participants generally favoured the term 'evidence-based reporting of outcomes' – as used in the Companion Document to the Consultation Draft – alongside an illustrative example.

Q9 Does the increased emphasis on value preservation and value erosion encourage more balanced reporting of outcomes?

As noted in the Question 8 introduction, an internal IIRC study found that one-quarter of sampled integrated reports showcased positive outcomes (e.g. via promotional language) and suppressed negative outcomes. In response, the market supported a plan to encourage greater balance in outcome-related reporting (94% in favour). In line with this feedback, the Consultation Draft introduced the term ‘value creation, preservation or erosion’ to several sections of the <IR> Framework (ref: Companion Document to the Consultation Draft, Proposal 11, p. 14), including:

- About the IIRC
- About integrated reporting
- Executive Summary – An integrated report
- 1A – Integrated report defined (paragraphs 1.1, 2.14, 2.17)
- 2D – The value creation process (paragraph 2.20)
- Glossary (Integrated report, Integrated thinking)

Figure 9. Responses to Question 9



Of the 106 respondents to Question 9, 88 (83%) **support** the changes. Professional bodies (19), academia (18) and report preparers (14) account for 58% of the supporting responses. This support is rooted in three main explanations.

69% of supporting feedback

The Consultation Draft applies a logical approach to reducing bias

Raised by 42 respondents

Targeted introduction of the terms ‘value preservation’ and ‘value erosion’ (and ‘preserve value’ and ‘erode value’) may be cumbersome, but the benefits outweigh this cost. The approach reminds report preparers of the importance of reliability, balance and completeness (presented in Section 3F). In doing so, the approach reinforces the joint reporting objectives of transparency, credibility and trust.

Testimonials

- ... the continued emphasis might seem tedious, but it is especially important for organisations to describe value creation as well as value erosion and preservation. Many organisations have focussed on value creation and avoided value erosion completely. COVID-19 has highlighted the importance of these disclosures. **Academic, South Africa**
- The repetitive use of the term ‘preservation or erosion’ makes a significant impact and it would be a surprise if a new user did not understand the point. **NGO, UK**
- We welcome the additional references that help stakeholders understand that an entity’s activities (transactions) can enhance, maintain, or diminish its collective resources, total enterprise value. **Professional body, International**
- It encourages more balanced reporting of outcomes as it is expected to lead to reporting both sides of the coin, without stressing reporting on good sides only. **Professional body, United Republic of Tanzania**
- We agree with proposal (P11) to clarify through the <IR> Framework that value can be preserved or eroded. In our view, balanced reporting is a critical part of enhancing trust and credibility in the integrated report. We therefore support any amendments to the <IR> Framework that ensure organisations select and present information in a balanced manner... **Standard setter, New Zealand**
- I applaud the term value erosion as it is much clearer to non-native English speakers than was diminution. **Academic, Netherlands**

23% of supporting feedback

The proposal is the first of several important steps to ensure balance

Raised by 14 respondents

Reminding organizations to consider the ways in which their activities and outputs preserve or erode value is essential; however, this should be part of a multi-pronged strategy.

Testimonials

- The increased emphasis on value preservation and value erosion should help avoiding unbalanced disclosure of positive outcomes. To additionally emphasize this aspect, Figure 2 may report “positive and negative outcomes” rather than “short, medium and long term outcomes”. **Academic, Spain**
- The increased emphasis on preservation and erosion is important and should encourage more balanced reporting, however this could be further emphasised in the guiding principles of integrated reporting. The principles of materiality and reliability and completeness seem like the most important areas where this clarification could be made on creation, preservation and erosion. **Framework developer, UK**
- It is appropriate to emphasize the explicit consideration of negative impacts as to maintain neutrality of reporting content. Further, it may be helpful to add following sentence to promote balanced disclosure in paragraph 4.19. “For promoting users’ understanding, an integrated report describes both positive and negative outcomes.” **Professional body, Japan**
- Top management commitments should also be evaluated in order to make it clear that there was a balance in the disclosure of both positive and negative effects. **<IR> Network, Brazil**
- Paragraph 4.19 of the Framework has provided adequate clarity with regard to the use of a more balanced reporting of outcomes approach. Based on past experience, companies would typically have disclosed positive outcomes with minimal or no negative outcomes. We believe the statement of responsibility i.e. integrity statement of the integrated report by those charged with governance would be an appropriate mechanism to ensure more balanced reporting. **Professional body, Malaysia**

8% of supporting feedback

The proposed approach is rooted in, and reinforces, integrated thinking

Raised by five respondents

Repeated prompts to consider negative outcomes encourages preparers to consider individual capitals, and their interdependencies and trade-offs. This instils the mindset that, ultimately, integrated reporting seeks to encourage.

Testimonials

- ... consistent explicit reference to "value preservation” and “value erosion" besides “value creation” stresses the full picture of the value considerations under the concept of integrated thinking... **NGO, Germany**
- Our experience has been that it takes some time to facilitate the cultural change within our organisation necessary to inculcate a balanced approach to reporting on outcomes and the organisational capacity to build broader reporting capability in relation to positive and negative impacts on the capitals. We support the additional sentence in paragraph 4.20 and believe that it will encourage a more balanced reporting of outcomes and sufficiently addresses an organisation’s wider impacts. **Investor, Australia**
- Focus on value preservation and value erosion enlightens the preparers that they should not endeavour to report on positive consequences of their business activities only, but rather to provide a helicopter view of an organisation, taking into account positives and negatives. **Professional body, Botswana**

Of the 106 respondents to Question 9, nine (8%) **oppose** the proposed changes as a means of encouraging greater balanced in outcome-related reporting. A further nine (8%) are **undecided**. Those opposed to, or uncertain about, the revisions presented in the Consultation Draft are relatively evenly distributed across stakeholder groups. Key criticisms – whether raised by those who ultimately support, oppose or are undecided on the proposal – are summarized below.

69% of opposing feedback

A more comprehensive approach is needed

Raised by 35 respondents

Further changes are needed to achieve the stated objective. For instance, the concepts of value creation, preservation and erosion should be further clarified in the Guiding Principles section of the <IR> Framework. The need to present outcomes in a balanced manner should also be reflected in the expectations for process disclosures in paragraph 1.20. All references to 'value creation' – including those in Paragraphs 1.7, 1.8 and the Figure 2 title – should be amended to remove any hint of lingering bias. Likewise, separate definitions for 'value preservation' and 'value erosion' should be introduced to the Glossary. Finally, further guidance in the form of illustrative examples should be provided outside of the <IR> Framework itself.

Concerns

- The increased emphasis on preservation and erosion is important and should encourage more balanced reporting, however this could be further emphasised in the guiding principles of integrated reporting. The principles of materiality and reliability and completeness seem like the most important areas where this clarification could be made on creation, preservation and erosion. **Framework developer, UK**
- We recommend that the concepts of value creation, erosion and inter-dependencies or trade-offs are embedded more thoroughly in the Guiding Principles (for example, in 3A, 3B and 3D). **Assurance provider, International**
- Merely elaborating on the previously used shorthand 'value creation' to include value preservation and value erosion cannot be expected to improve balanced reporting... Expand the statement described under paragraph 1.20 to include processes in place that institutionalise integrated thinking in addition to the preparation and presentation of the integrated report. This would also include, for example, processes and procedures in place to ensure negative external outcomes are taken into account when structuring rewards and remuneration of the Board, management and staff. **Consultant, Sri Lanka**
- We consider the reference to value preservation to be helpful but believe that an overarching principle that applies to the whole integrated report such as fair, balanced and understandable (FBU) (set out in the UK Corporate Governance Code) would be more effective in achieving more balanced reporting. The FBU principle could also be built into the statement of responsibility. **Regulator, UK**
- ... whilst the term 'value erosion' has been introduced as a key attribute of the Consultation Draft, the wording of 1.8 remains unchanged. More than just a matter of drafting consistency, surely the stakeholders referred to in para.1.8 are interested not only in an organisation's "ability to create value over time", but also in its capacity to erode value. We urge the IIRC consider re-wording para. 1.8 to this end. **Professional body, Australia**

16% of opposing feedback

Balanced reporting is beyond the <IR> Framework's control

Raised by eight respondents

Several factors shape reporting behaviour, one of which is a natural desire to look good. Attracting investors, avoiding government scrutiny and gaining (or maintaining) social acceptance are powerful forces that influence the way information is presented. So, while the insertion of 'preservation and erosion' is helpful in theory, this measure is unlikely to yield meaningful results.

Concerns

- A welcome change in emphasis, but the proof will be whether it changes reporting behaviour. Considering regulation such as the EU Directive on Non-Financial Reporting cannot change reporting behaviour, then I think changing the words in the framework will have little impact. However, a welcome change. **Academic, Australia**
- ... we do not think the problem of companies reporting in an unbalanced way is per se due to the way it is described in the <IR> Framework, which in our opinion is already sufficiently clear... **Investor, Netherlands**
- ... the decision of organisations not to disclose negative results is not consistent with a weak understanding of the <IR> Framework. In contrast, we believe that such a decision is political and involved with the extension of a positive organisational image to achieve legitimacy to avoid a social or governmental intervention and, above all, to attract a more significant number of investors. **Academic, Colombia**
- The real push is not so much in the words. It's whether companies wish to actually provide more balanced reporting on outcomes. This is more to do with mindset, rather than how the framework is worded. **Consultant, Malaysia**

8% of opposing feedback

A different approach is needed

Raised by four respondents

The <IR> Framework should refer to positive, neutral or negative states of value creation rather than value creation, preservation or erosion scenarios. Moreover, it should point to other resources for practical tools and guidance.

Concerns

- While it seems logical that "value creation" is generally understood as a net positive change in capital, one can talk of zero value creation (i.e., preservation) or negative value creation (i.e., erosion). **Standard setter, USA**
- ... encourage use of multi-capital evaluation tools and techniques provided by other organizations. **NGO, Switzerland**

8% of opposing feedback

There are other disadvantages to the proposed approach

Raised by four respondents

In defining the value creation concept, a “Do it right, do it once” philosophy should prevail. Repeated use of the proposed terminology is both cumbersome and unnecessary. The change also risks introducing a new set of problems, including a binary approach to assessing value and a perceived increase in reporting burden.

Concerns

- The very definition of value creation suggests that there are decreases, changes or changes in capital, in addition to increases. If there is a correct understanding of the concept of value creation, it would not be necessary to add the terms 'preservation and reduction of value... **Academic, Brazil**
- We prefer an <IR> Framework that properly defines that the term ‘value creation’, in a single definition, incorporates the three flavours. If erosion needs particular emphasis in the <IR> Framework, we prefer a footnote reference that makes this explicit. **Investor, Netherlands**
- ... there is a risk that the insertion of ‘value erosion’ at points throughout the <IR> Framework could lead to a binary approach that does not allow for a full understanding or explanation of the inter-relationships between value creation, preservation and erosion. For example, investment in green processes could enhance natural capital but may lead to employing fewer people (erosion of human capital) and/or a need to upskill (enhancement of human capital). **Assurance provider, International**

ROUNDTABLES

Q9

Overall, roundtable participants considered the increased emphasis on value preservation and value erosion a positive step in encouraging more balanced reporting of outcomes. This was on the basis that transparency and balance are critical to building credibility and trust in external reporting.

Notwithstanding the above, there was some degree of scepticism over just how effective the proposed approach, however well intentioned, might be. After all, one of the real roadblocks to disclosing negative outcomes is a lack of ‘required courage of the C-suite’ to ‘accept accountability for improving things’. One roundtable participant noted a natural hesitancy to announce negative outcomes, given the potential consequences for share price performance and competitive advantage.

Perhaps reflecting the above obstacles, some pointed to the important role of assurance in holding organizations to account.

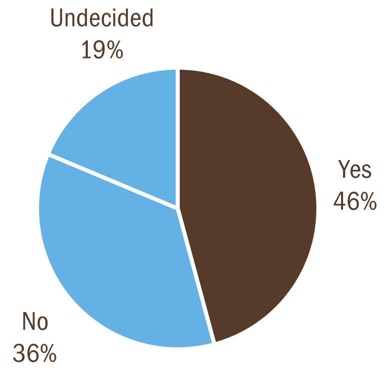
Finally, one participant drew attention to the <IR> Framework's Guiding Principle of Reliability and Completeness (Section 3F, paragraph 3.39), which reads: “An integrated report should include all material matters, both positive and negative, in a balanced way, without material error”. Any additional measures should refer back to this section of the <IR> Framework.

Q10 Does the closing sentence of paragraph 4.20 sufficiently address the coverage of impacts under the term 'outcomes'?

Feedback received during the IIRC's February 2020 focused engagement period encouraged the <IR> Framework to clarify its coverage of material, and longer-term, impacts on society and nature under its existing 'outcomes' definition (ref: Companion Document to the Consultation Draft, Proposal 10, p. 14). In line with this expectation, a short statement to that effect was provided at the end of paragraph 4.20.

Of the 107 respondents to Question 10, 38 (36%) **oppose** the addition to paragraph 4.20. A further 20 (19%) are **undecided**. Sixty per cent of those opposed to, or uncertain about, the change represent professional bodies, academia and consultancies. The primary areas of concern are summarized below.

Figure 10. Responses to Question 10



41% of opposing feedback

There is confusion about 'impacts' and their distinction from outcomes

Raised by 34 respondents

The interpretation of 'impacts' varies across initiatives and organizations, with no clear consensus or generally-accepted definition. Impact investing and impact reporting are still maturing fields and, so long as this degree of fluidity exists, the <IR> Framework will be challenged to connect to the concept.

Concerns

- We do not agree with adding the term 'impacts' into the <IR> Framework. There is already confusion amongst the preparer and user communities around the use of the terms outcomes and impacts. For example, are outcomes and impacts synonymous? Or are impacts just longer-term outcomes? **Standard setter, New Zealand**
- These terms may not yet be widely understood by prepares and users and need to be clearly defined and clearly linked. **Report preparer, South Africa**
- ... while outcomes and impacts are often inter-changed as terms, impacts do carry a distinct meaning for a number of users and are defined by a number of ESG standards. 'Impact reporting' and 'impact investing' is also becoming more established. Any framework revision should consider a revision of terms (inputs, outputs, outcomes, impact) to reflect this to remain current. **Assurance provider, UK**
- The PRI describes "impact" as a change in outcome (i.e. an outcome shaped by an investor, in line with the SDGs). By introducing the word 'effects' there could be further confusion. The PRI recommends that 'change in outcome' or simply 'impact' be used. **Investor, UK**
- Impacts are different from outcomes. In the context of impact evaluations, an impact is a change in outcomes in the long term and that is directly attributable to a program, activity, or design innovation. (Source: Impact Evaluation in Practice 2nd edition. World Bank), **Consultant, Italy**
- Although the term 'impact' is emerging and has several meanings, it is clear that companies increasingly wish to enhance positive impacts and measure their impact more thoroughly... **Assurance provider, International**
- As thinking and practices around impact reporting progress, consideration of further changes needed within the <IR> Framework should be revisited in future. **Professional body, International**

24% of opposing feedback

This is a complex issue that warrants more fulsome treatment

Raised by 20 respondents

Given evolving interpretations of 'impacts' – and the fluidity of impact reporting – the goals of Proposal 10 cannot be achieved in a single sentence. A more comprehensive approach is needed to address the relationship between outcomes, impacts and value creation. And, while the concept of impacts can be woven into other sections of the <IR> Framework, it may be best to treat the topic in a separate publication.

Concerns

- The term 'impact' was not visible in the earlier version of the <IR> Framework. It has now been introduced as a passing reference in the closing sentence of paragraph 4.20 in the consultation draft of the <IR> Framework. This is not sufficient. 'Impact' merits a more detailed discussion as the approach, methodology and metrics for impact assessments are quite different from what businesses usually report on... **Consultant, Sri Lanka**
- We support the proposals in paragraph 4.20 of the <IR> Framework to link outcomes to wider impacts. However, we suggest that wider impacts be further referenced in the <IR> Framework. For example, the concept may be included in the purpose of the integrated report (page 4) as well as section 1C Purpose and users of the integrated report, and paragraph 2.25 (to link with outcomes). **NGO, Belgium**
- This sentence does not fully address confusion between outcomes and impacts, or how to incorporate disclosures on impacts in an integrated report to reflect the positive or negative impacts of business activity on stakeholders and society. The area of impact reporting is at an early stage of maturity and therefore may require separate guidance including how to define, measure and report on impacts. **Professional body, UK**

18% of opposing feedback

The new sentence stretches the boundaries of integrated reporting

Raised by 15 respondents

The new sentence appears to extend the scope and commonly-understood limits of integrated reporting.

Concerns

- ... we understand that the principle of materiality is applied in determining the content of an integrated report. Otherwise, wider outcomes in the report may obscure what is important and may deteriorate the usefulness of the report. Therefore, it should be emphasized that the scope of reporting is limited to important outcomes. **Professional body, Japan**
- The efforts to encourage reporting of impacts on stakeholders and capital providers in this way would not be effective. There should be clarity about the value creation. The objective of integrated reporting and the value creation model should be consistent. The 'end point' to the extent value creation is to be reported requires clarity. **Professional body, Pakistan**
- ... the main purpose of the <IR> Framework is to elicit information about how a company creates value and, according to... the IIRC's Value Background Paper, "Value creation manifests itself in outcomes." As the Background Paper says "outcomes inform the assessment of value depending on the perspective of the stakeholder and their dependence on the stores of capital affected by the value creation process...outcomes are not always stable...and take place over multiple time frames...". The updated language in paragraph 4.20 aims to illustrate that the users of information and stakeholders associated with the organization will determine the impacts based on what the organization says about outcomes. We agree that this is the right approach. **NGO, Switzerland**

16% of opposing feedback

The proposed sentence needs further adjustment

Raised by 13 respondents

There are a few ways in which the new sentence can improve. These range from simple edits for clarity to more significant measures, such as the reduction of, or explanation for, similarly-defined words (outcomes, effects, impacts and consequences).

Concerns

- (The sentence is) wordy, but does make the point. **Consultant, New Zealand**
- ...do we need “impacts” in para 4.20? Is the final sentence not about users evaluating the reporting entities’ wider outcomes, which either create or erode value? **Consultant, Australia**
- We are not sure whether the sentence really leads to a clearer understanding of the terms “impacts” and “outcomes” in particular because in the same sentence of the paragraph two other similar expressions are used that are “effects” and “consequences”. We think that it might be very confusing for the users of the framework to find all four terms without having clear information whether they are used as synonyms or whether they have slightly different contents. Thus, we strongly propose to include a statement in the framework that either all these four terms can be seen as synonymous (more or less) or that they are different. E.g., there could be a phrase like: “Some call it impacts, some effects, some consequences and some outcomes. This framework refers to outcomes.” **NGO, Germany**
- The (newly-added) example above this paragraph is particularly helpful. However, given the increasing currency of the term “impact” and “impact reporting” the <IR> Framework should state explicitly any difference in meaning between outcomes and impacts. **Professional body, International**

Of the 107 respondents to Question 10, 49 (46%) support the changes, whether ‘as is’ or in a slightly modified form. Report preparers (10), academia (10), consultants (7) and professional bodies (7) account for roughly 70% of the supporting responses. Points favouring the proposed change are outlined below.

44% of supporting feedback

The new sentence is appropriately presented and worded

Raised by 12 respondents

The addition to paragraph 4.20 achieves its purpose and does so in a clear, concise way.

Testimonials

- Concise and understandable. **Framework developer, Japan**
- We support the additional sentence in paragraph 4.20 and believe that it will encourage a more balanced reporting of outcomes and sufficiently addresses an organisation’s wider impacts. **Investor, Australia**
- This is a particularly powerful statement and is very welcome. **Report preparer, UK**
- The proposal is useful in identifying more contexts in which the outcomes (both positive and negative) could produce impacts on capitals and society as a whole. **Report preparer, Italy**
- The closing sentence helps to explain the kind of information that should be provided to give an appropriate overview of the outcomes of the company. **Report preparer, Spain**
- The additional guidance that has been included in our view is sufficient. We believe nothing more needs to be added to the final sentence... **Assurance provider, UK**
- Coverage of both negative and positive impacts is clear from the paragraph. **Professional body, Botswana**

33% of supporting feedback

The new sentence reflects an important evolution in business reporting

Raised by nine respondents

The addition to paragraph 4.20 emphasizes balanced reporting, long-term thinking and broader societal perspectives. Though already at the heart of the <IR> Framework, the new sentence captures these important reporting shifts more overtly.

Testimonials

- It is necessary to steer the reporting mindset to include wider impacts. **Report preparer, Turkey**
- We support paragraph 4.20, which links outcomes to wider impacts. A broad perspective is critical in showing to wider stakeholders the impact of the business. **Professional body, UK**
- We support the additional sentence in paragraph 4.20 and believe that it will encourage a more balanced reporting of outcomes and sufficiently addresses an organisation's wider impacts. **Investor, Australia**
- We agree with the closing sentence of paragraph 4.20... It's important to make reference to all stakeholders, one of the key aspects of integrated reporting – a shift to a stakeholder inclusive model. **<IR> Network, Africa**
- The addition of positive and negative effects and looking at the organization's wider impacts could encourage more balanced reporting. However, impacts on society and nature do not cover the full range of the six capitals, so it is important to broadly reference impacts. **Standard setter, USA**

22% of supporting feedback

The new sentence achieves its stated objective

Raised by six respondents

The addition to paragraph 4.20 reinforces organizations' consideration of impacts under the <IR> Framework's existing outcomes banner.

Testimonials

- The new wording of paragraph 4.20 complements the concept of short, medium, and long-term impact, introduced in the new configuration in Figure 2. The concern with temporality can help to build more transparent and faithful reports so that the user can more clearly and broadly assess the organization's impacts over time in different dimensions/stakeholders – e.g., society, environment, etc. **Industry organization, Brazil**
- The closing sentence in paragraph 4.20 helps eliminating the contradictions between outcomes and impacts and ultimately will encourage its application. **Professional body, United Republic of Tanzania**

ROUNDTABLES

Q10

The importance of impacts was agreed across regional roundtables, and the <IR> Framework was seen as a core tool in responding to this growing information demand. However, the closing sentence of paragraph 4.20 received mixed responses.

Participants of the UK roundtable advised that the sentence stress that positive and negative effects be considered across all capitals. They also encouraged that the word 'environment' precede 'stakeholders and society at large', as this aspect often goes overlooked. In the Italian roundtable, there was some degree of confusion as to the scope of 'direct stakeholders' (Does this refer to those managed or controlled by the company?) and 'society at large' (Does this not create issues with respect to reporting boundaries?).

Integrated reporting enhances the way organizations think, plan and report.