International <IR> Framework Implementation Feedback

Summary report

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About the IIRC

The International Integrated Reporting Council (IIRC) is a global coalition of regulators, investors, companies, standard setters, the accounting profession and NGOs. Together, this coalition shares the view that communication about value creation should be the next step in the evolution of corporate reporting. The International <IR> Framework was released in December 2013 after an extensive due process to meet this need and provide a foundation for the future.

Contents

Executive summary

Since the release of the International <IR> Framework ('the Framework') in December 2013, the International Integrated Reporting Council has focused on achieving a meaningful shift towards early adoption of Integrated Reporting. Over the next twelve months, we are giving serious consideration to upgrading our strategy to move to broader adoption of our Framework and recognition of Integrated Reporting as an accepted reporting norm. It is, therefore, timely that we hear from market participants and learn from their experience with Integrated Reporting. For this reason, we launched a formal consultation in March 2017.

This consultation attracted more than 400 submissions and contributions, including feedback from events in 19 countries around the world, from the different sectors that make up the global coalition for Integrated Reporting. It provides the most up-to-date guide to global implementation of Integrated Reporting, its successes and challenges – from those at the 'front end' directly involved in its implementation.

We received extensive feedback, as described in Part I of this report. Key observations and issues distilled from that feedback are summarized in Part II and placed in the context of our ongoing evolution, as described in Part III.

The feedback indicated that the Framework stands up well to the challenges of implementation. It also pointed to several opportunities to provide guidance and examples and take other actions to help report preparers and other stakeholders continue to tackle those challenges.

The actions we currently propose taking, based on our preliminary analysis of the feedback, are outlined in Part IV of this report. Part V provides a summary of responsibilities and the initial technical programme, which will be updated and reissued periodically as circumstances change.

There is clearly a choice to be made between giving sufficient time for companies to implement the Framework without changes being made, and updating the Framework in the light of experience and external developments. We have carefully considered the small number of suggestions made in this exercise for Framework revisions, and concluded that none are of immediate concern to justify making those changes now. However, we undertake to consider those suggestions further, along with other feedback, as the IIRC implements the actions proposed in this report. They will also be reconsidered at a future date when any formal process to revise the Framework commences. The IIRC has concluded as part of deliberations on this exercise and the feedback given, that this will not be before 2019.

We express sincere thanks to everyone who has contributed and to members of our own IIRC team and colleagues in partner organizations, who have been outstanding both in organizing the exercise and in analyzing its results. We also thank members of the <IR> Framework Panel – experts from across the world – who have provided advice and oversight to the exercise throughout.

This final report is being launched at a global meeting of the International Integrated Reporting Council itself and we pledge the firm commitment of the whole IIRC Board and team to implement its results.

Richard Howitt
CEO, IIRC

Barry Melancon
Chair, IIRC Board

I. Consultation process

Three annual reporting cycles after releasing the Framework, we invited market participants to share their experience on its application. We launched a two-month public comment period on 1 March 2017.

Purpose
The aim of our consultation was to inform our technical programme to ensure it responds to market need for guidance, research and other resources.* Other aspects of our work, including our strategy, policy efforts, communications and <IR> Network activities also stood to benefit from market input.

Invitation to Comment
The *Invitation to Comment* included 11 questions, seven of which addressed reporting issues raised in research by the IIRC and others, including reviews of published reports and consultation with our <IR> Business Network. The Invitation to Comment also featured four broader questions to welcome any other input from stakeholders.

Audience
We encouraged feedback from those with a reasonable knowledge of how our Framework is used and the key enablers, incentives or barriers to its adoption. Input was particularly sought from those who directly use or prepare integrated reports.

To ensure a diversity of responses by region and stakeholder group, we encouraged members of our extended network to host regional focus groups.

Feedback
We received 77 submissions via email and our online survey. These included individual feedback, as well as summaries of focus groups that spanned 19 economies. Submissions represented some 400 perspectives, including those who contributed to focus groups. A breakdown of those perspectives by region and stakeholder group is provided in the side panel.

Analysis
All submissions were analyzed by the IIRC technical team to identify major themes. The resulting analyses and submissions were reviewed and discussed by the <IR> Framework Panel over a series of meetings. Members of the whole IIRC team have supported this exercise and been involved in shaping this final report. The report is based on all those discussions and is endorsed by the <IR> Framework Panel and the IIRC's Board.

* This includes pronouncements and other communications as described in the *IIRC's Procedures Handbook*.

Feedback by region

Europe 38%
Asia 21%
International 12%
Americas 10%
Oceania 10%
Africa 9%
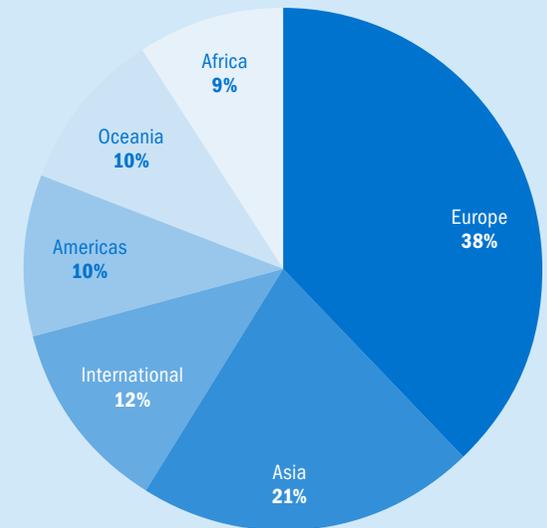
Feedback by stakeholder group

Consultant or assurance provider 29%
Report preparer 24%
Professional body or industry group 17%
Regulator, stock exchange or standard-setter 10%
Report user 8%
Academic 6%
NGO 4%
Other 2%
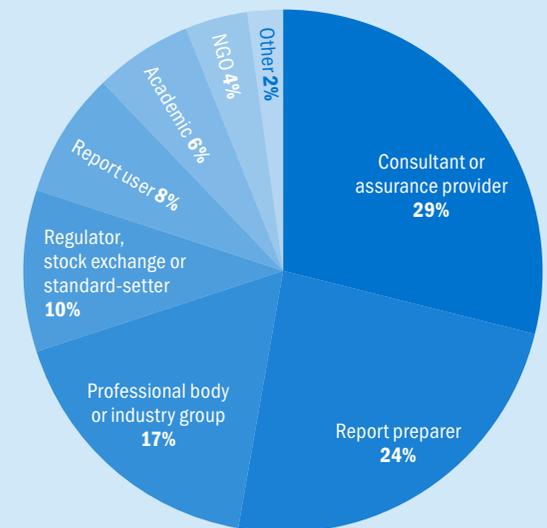
II. Key observations and issues

Q1. Multiple capitals

What is your experience with the multiple capitals approach in integrated reports? What, if anything, should be done and by whom to improve this aspect of implementation?

1   Respondents generally support the multiple capitals approach, albeit some noted it is still at an early stage of development. However, some respondents noted specific criticisms, in particular: (a) some would prefer a different term to "capitals", e.g., "resources and relationships", "resources", "inputs", "value drivers" or "assets", and (b) being conceptual/theoretical, the multiple capitals approach can be difficult to apply in practice.

2   Several respondents mentioned the need for guidance and examples to reinforce the Framework's position that:

   a.   Only material capitals need be reported on or even mentioned at all (Paragraph 2.16 of the Framework).

   b.   Reports can use whatever terminology suits the organization (Paragraphs 2.17 and 2.18 of the Framework). This applies to the term "capitals" itself and also to the six categories of capitals identified in the Framework (although some respondents noted that use of the Framework's terminology would improve comparability).

   c.   The capitals need only be used as a completeness check and should not be over-emphasized. In particular, it is not necessary (and is often sub-optimal) to structure reports according to the capitals. (Paragraphs 2.17 and 2.19 of the Framework).

3   Most respondents who commented on the reporting of trade-offs between capitals noted this aspect of the multiple capitals approach needs improvement.

4   Many respondents mentioned it would be desirable for the IIRC to collaborate with others to develop suitable metrics or to point to measurement approaches developed by others, although it was also observed that many established metrics deal with a single capital only and are therefore not integrated.

5   Some respondents suggested there should be better articulation of the links between financial and "non-financial" (or "pre-financial") capitals and disclosures. A few commented on expectations regarding monetization of "non-financial" capitals.

6   The relationship between the capitals and a stakeholder approach was mentioned by a small number of respondents.

The IIRC identified the following key issues:

- Improve market understanding of the multiple capitals approach

- Help report preparers access intellectual, human, and social and relationship capital metrics to suit their unique circumstances

- Promote meaningful leading practice examples that reflect effective integration of the capitals

- Revisit existing IIRC guidance on the capitals for potential update and reissue

See corresponding proposed actions on page 17.

II. Key observations and issues

Q2. Connectivity and integrated thinking

What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions? What, if anything, should be done and by whom to improve this aspect of implementation?

1 Connectivity of information is a critical element of both integrated reporting and integrated thinking, but it is perhaps one of the least understood of the Framework's Guiding Principles.

2 The Guiding Principle *Connectivity of information* suffers from clear implementation challenges in practice.

3 Respondents stressed the importance of senior management buy-in to successful adoption of integrated thinking across an organization.

4 Respondents reinforced the importance of experience as integrated thinking matures.

5 Integrated thinking is supported as a core element of, and prerequisite to, effective Integrated Reporting. However, organizations appear to struggle with the foundational concept of integrated thinking. One respondent saw this as a potential reputational risk for the IIRC.

6 Connectivity in a report may not always reflect the maturity of integrated thinking. In other words, the integrated report may be an imperfect proxy for integrated thinking.

7 Mature integrated thinking, demonstrated by effective connectivity, can lead to improved decision making.

8 Some respondents argued for stronger IIRC focus on integrated thinking.

9 Guidance and examples were requested on aspects of connectivity and integrated thinking.

10 Respondents also suggested collaborations with third parties and Corporate Reporting Dialogue attention to address connectivity of information and integrated thinking.

The IIRC identified the following key issues:

- Research the relationship between connectivity of information and improved decision making.

- Communicate how other corporate reporting developments can connect to or support the preparation of an integrated report.

- Promote leading practice examples that reflect connectivity of information.

- Clarify the IIRC's interpretation of integrated thinking and improve market understanding.

II. Key observations and issues

Q3. Key stakeholders' legitimate needs and interests

What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed? What, if anything, should be done and by whom to improve this aspect of implementation?

1   There were mixed views about the current state of play with respect to disclosure of stakeholders' legitimate needs and interests; while this aspect is improving in some jurisdictions, it is not well addressed across the board.

2   This Guiding Principle continues to be a source of some confusion. The Framework encourages report preparers to consider and communicate stakeholders' needs and interests in the context of organizational value creation. The integrated report should indicate how those needs and interests are being addressed, for the purpose of reporting primarily to providers of financial capital. However, some misinterpret this aspect of the Framework as defining the audience for the integrated report. In other words, some report preparers believe that the integrated report should attempt to meet the information needs of all key stakeholders. Sometimes this appears to involve specific stakeholder engagement about the content of the report because those stakeholders are viewed as the audience of the report. Some also treat the

disclosure of stakeholder engagement as an end in itself rather than a signal of how the organization understands and addresses legitimate needs and interests and how this affects its ability to create value over time.

3   Some respondents suggest multiple stakeholders are or should be the primary audience of an integrated report or suggest a reconsideration of the primary purpose of an integrated report, which is to satisfy the information needs of providers of financial capital with respect to value creation over time, per paragraph 1.7 of the Framework.

4   Views varied on the nature of stakeholder engagement, with some implying it needs to be quite a formal, structured exercise as opposed to the notion mentioned in the Framework that it "occurs regularly in the ordinary course of business (e.g., day-to-day liaison with customers and suppliers or broader ongoing engagement as part of strategic planning and risk assessment)".

5   Some respondents mentioned or implied an expectation that stakeholder engagement should lead to inclusion of a materiality matrix in the integrated report, which usually plots issues on two axes: importance to the organization and importance to stakeholders. A materiality matrix is not required by the Framework and is more commonly associated

with sustainability reports than with the Framework's concept of materiality.

6   Some commented on the readiness of providers of financial capital to understand and act on "non-financial" information such as information about stakeholder needs and interests.

7   Respondents requested guidance and examples for several aspects of key stakeholders' needs and interests, and also actions by others to address the topic.

The IIRC identified the following key issues:

- Improve market understanding of the purpose and audience of an integrated report.

- Resolve mixed understanding of the purpose of the Guiding Principle *Stakeholder relationships*.

- Help report preparers access innovative and inspiring examples of how key stakeholders' legitimate needs and interests are disclosed in integrated reports.

II. Key observations and issues

Q4. Materiality and value creation

What is your experience with the Framework's definition of materiality with respect to the application of the value creation lens and use of different time periods to identify material matters? What, if anything, should be done and by whom to improve this aspect of implementation?

1   Based on the feedback, materiality and value creation appear to be among the most important issues, if only because of their central importance to Integrated Reporting.

2   While many responses called for further guidance, clarification and 'concreteness', there was also a sense that experimentation, evolution and innovation should continue.

3   It is clear from a number of comments that operationalizing the materiality concept is challenging and can be misunderstood or misapplied.

4   The Invitation to Comment asked about the use of the value creation lens, a key feature of the materiality definition. Respondents noted:

   a.   The value creation approach introduces a difference in materiality definitions used across reporting standards and frameworks.

Some called for one materiality definition across all report forms; others recognized the need for different definitions.

   b.   Comments on difficulties in applying the Framework's concept of value ranged considerably, suggesting an opportunity to clarify its meaning and use.

5   A few respondents commented on the use of the term 'materiality'.

6   Many respondents mentioned the role of providers of financial capital and other stakeholders with respect to the definition of materiality and how materiality decisions are made.

7   The Invitation to Comment noted the need to consider materiality over multiple time frames (short, medium and long term) as a key feature of the materiality definition. Respondents generally acknowledged the need for greater emphasis on the longer term, with some noting the absence of clear time periods in reports.

8   Respondents requested guidance and examples for several aspects of materiality and value creation. Some also offered advice related to existing guidance.

9   Respondents also suggested collaborations with third parties to address materiality and value creation.

The IIRC identified the following key issues:

- Help report preparers and others better understand the overarching concept of value creation, as intended in the Framework.

- Resolve mixed interpretation of whether different definitions of materiality are needed for different types of reporting.

- Reinforce the Framework's materiality approach and help report preparers work with different materiality definitions to suit different report forms.

- Maximize synergy between the Framework's materiality approach and those used in other reporting frameworks.

- Provide practical advice on materiality and the materiality determination process based on the experience of advanced report preparers.

II. Key observations and issues

Q5. Conciseness

What is your experience with the conciseness of integrated reports? What, if anything, should be done and by whom to improve this aspect of implementation?

1   Conciseness is considered an important element of effective Integrated Reporting, but the concept is often misunderstood and poorly applied.

2   Respondents noted the link to materiality.

3   A natural tension exists between conciseness and completeness.

4   Guidance, examples and collaborations with third parties were suggested on several aspects of conciseness and the materiality assessment process.

The IIRC identified the following key issues:

• Clarify the IIRC's expectations regarding conciseness.

• Promote examples of concise integrated reports.

See corresponding proposed actions on page 20.

Q6. Business model – outputs and outcomes

What is your experience with the reporting of business model information, particularly outputs and outcomes? What, if anything, should be done and by whom to improve this aspect of implementation?

1   Reporting on the business model is seen as important, but not without its challenges. Leading practice is providing useful information in an innovative way, but there is certainly room for improvement in practice.

2   Business model reporting is evolving and there may be a greater need for change management to instil innovation with respect to this area of Integrated Reporting relative to other aspects.

3   Some noted a propensity for formulaic business model discussions, which lack insight. Others pointed to a tension between a comprehensive depiction of the business model and simplicity/ease of understanding.

4   The Invitation to Comment specifically asked about the distinction between 'outputs' and 'outcomes'. Responses confirmed initial impressions that this is a problematic area for many report preparers.

5   As the Framework was being developed, competitive advantage and multiple business models were identified as issues needing special consideration, which resulted Paragraphs 3.51 and 4.21-4.22 in the Framework. It is apparent that these are still issues for some.

6   A few respondents commented on the relevance of business model information for user decision making.

7   Respondents requested guidance and examples for several aspects of business models and outcomes. Some also offered advice related to existing guidance.

8   Respondents also suggested collaborations with third parties to address business model and outcomes.

The IIRC identified the following key issues:

• Explain the distinction between outputs and outcomes and the relationship between outcomes, the capitals and value creation.

• Help conglomerates better communicate their multiple business models.

See corresponding proposed actions on page 21.

II. Key observations and issues

Q7. Involvement of those charged with governance and identification of the Framework

What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information? What, if anything, should be done and by whom to improve these aspects of implementation?

1 There was general consensus about the role of those charged with governance vis-à-vis Integrated Reporting, which was seen as crucial to successful adoption of the Framework.

2 The identification in the report of those charged with governance was also considered important, whether included in reference to the Framework or by local reporting requirements.

3 Respondents varied in their views on the value of the governance statement as described by Paragraph 1.20 of the Framework.

4 Governance statements of the type described by Paragraph 1.20 are not often seen in practice. Respondents cited various reasons for limited uptake.

5 When governance statements are included in integrated reports, they do not always indicate the level of compliance with the Framework.

6 Respondents requested guidance and examples for several aspects of governance around Integrated Reporting. Some also suggested collaborations with third parties.

The IIRC identified the following key issues:

- Increase the number of integrated reports that include a statement from those charged with governance.

- Elevate the involvement of those charged with governance in the implementation of Integrated Reporting.

See corresponding proposed actions on page 21.

II. Key observations and issues

Q8. Other Guiding Principles

What is your experience with the application of the remaining Guiding Principles in integrated reports? What, if anything, should be done and by whom to improve these aspects of implementation?

1 Practice with respect to strategy and future orientation is improving in a number of jurisdictions, but often focuses too much on the short term and is hampered by concerns over liability and commercial sensitivity.

2 Assurance is still seen by a number of respondents as a key driver of reliability (see Q10 also).

3 Quite a few respondents were concerned about an apparent lack of balance in integrated reports in terms of placing undue emphasis on positive performance and outcomes.

4 Many respondents noted that developing more standardized metrics could improve consistency and comparability, and many called on the IIRC or the Corporate Reporting Dialogue to play a role in bringing this about (see Q1 also). The need for greater consistency over time and comparability within sectors was also raised, with some respondents noting the former may improve as reporting matures.

5 Other comments were diverse; they included suggestions to align the IIRC's Guiding Principles with those in other reporting frameworks.

The IIRC identified the following key issues:

- Lead a shift towards longer term thinking and reporting.

- Help report preparers understand the importance and benefits of balance in integrated reports.

- Promote alignment between reporting frameworks.

See corresponding proposed actions on page 22.

II. Key observations and issues

Q9. Other Content Elements

What is your experience with how the remaining Content Elements are reported in integrated reports? What, if anything, should be done and by whom to improve these aspects of implementation?

1   Comments received regarding the remaining Content Elements tended to be relatively diverse. To the extent that there were particularly insightful or recurrent comments, the following observations can be highlighted:

   a.   Loss of competitive advantage was cited as a likely reason for non-disclosure across a number of Content Elements.

   b.   Competitive landscape and market positioning are not well reported with respect to *Organizational overview and external environment*.

   c.   Disclosures about *Governance* are often detailed and compliance/process-oriented, rather than answering the question posed in the Framework "How does the organization's governance structure support its ability to create value in the short, medium and long term?"

   d.   Risk disclosures, which are commonly required by regulation, are often very good, but the reporting of opportunities is not.

   e.   Reporting on the link between *Strategy and resource* allocation can be improved, as can reporting on links to targets and key performance indicators.

   f.   Reporting of *Performance* could be better linked back to strategy; reporting of financial performance is good, reporting of "non-financial" performance is less so.

   g.   Legal implications can impede good reporting on *Outlook,* which is also overly focused on the short term. Relatively sophisticated techniques like scenario planning may help improve reporting.

   h.   Determining and disclosing the reporting boundary (reference: *Basis of preparation and presentation*) is an area that needs improvement.

   i.   A number of other helpful, albeit disparate, comments about the form and content of the Framework, possible collaborations with third parties and other topics were received.

The IIRC identified the following key issues:

- Explain the importance and benefits of disclosing information about competitive landscape and market positioning, and provide leading practice examples.

- Emphasize the importance and benefits of disclosing information about opportunities and provide leading practice examples.

- Underscore the importance and benefits of explaining how the organization's governance supports its ability to create value and provide leading practice examples.

See corresponding proposed actions on page 22.

Q10. Other quality issues

Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports? What, if anything, should be done and by whom to improve this aspect of implementation?

1   Comments received regarding other quality issues were diverse. To the extent that there were particularly insightful or recurrent comments, the following observations can be highlighted:

a. The feedback about the current quality of integrated reports was mixed, making it difficult to generalize. Perhaps the only fair summation is to say that quality varies.

b. A common comment was that quality improves over time as reporting matures.

c. Report quality seems to improve when reporters see the benefits that Integrated Reporting brings (with respect to internal decision making as well as reporting).

d. Other reasons for variation in the quality of reports include the regulatory environment and maturity of narrative reporting in particular jurisdictions, and the size of the reporting organization.

e. Some noted a lack of balance in reports (see Q8 also).

f. Some respondents mentioned the potential for rankings and reviews to protect and enhance the overall quality of integrated reports.

g. Feedback noted that reporting awards can help improve report quality, but they can also have unintended consequences if judging criteria foster a checklist approach.

h. Some respondents think the IIRC should be more explicit about which metrics to use (see Q1 also).

i. The role of assurance with respect to report quality and credibility was raised by several respondents (as it was in responses to other questions).

j. Many respondents mentioned the beneficial effect on quality of leading practice examples, guidance, training and other forms of support, and the role of the IIRC and Corporate Reporting Dialogue in providing these.

k. Respondents made numerous other comments about factors that affect quality, including attention given to the link between financial and "non-financial" information and the link between Integrated Reporting and other report forms.

The IIRC identified the following key issues:

- Help organizations assess the quality and extent of Framework-adherence of their own integrated reports and identify opportunities for improvement.

- Continue to promote initiatives that contribute to credibility and trust in integrated reports.

- Ensure knowledge gained from market feedback is shared with those who undertake training in Integrated Reporting.

See corresponding proposed actions on page 23.

II. Key observations and issues

Q11. Other enablers, incentives and barriers

What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions? What, if anything, should be done and by whom to improve these aspects of implementation?

1   Concern was expressed about Integrated Reporting being seen as additional reporting. Suggestions focused mainly on the IIRC working with others to reduce overall reporting burden.

2   A number of respondents commented on a lack of user demand for integrated reports. Suggestions were focused on working with investors to promote the benefits of Integrated Reporting. One respondent suggested publishing a paper that demonstrates how applying the value creation model with reference to the capitals generates financial returns for investors.

3   A number of respondents think Integrated Reporting is suited to small and medium-sized enterprises (SMEs), but see resource gaps as a barrier. Suggestions for enablers relate mostly to proving the business case and providing practical guidance. Some suggested developing a 'lighter' version of Integrated Reporting for SMEs.

4   Respondents recognized benefits for the public sector in adopting Integrated Reporting but noted some challenges, including some legislative/regulatory reporting requirements and the adaptation of Integrated Reporting concepts to the public sector environment. A small number of respondents noted the benefits of applying Integrated Reporting to the not-for-profit sector.

5   The importance of regulations was generally acknowledged; however, there were mixed views on the role of regulation, including the following:

a.   Existing regulation that discourages experimentation or fails to link to Integrated Reporting is a potential barrier to implementation.

b.   The maturity of narrative reporting within a jurisdiction can affect the uptake of Integrated Reporting.

c.   Although the inclusion of "non-financial" reporting in regulations is a potential enabler for Integrated Reporting, there is a need to be cautious about the possible use of a tick-box or compliance-based approach.

d.   Different forms of mandatory reporting across jurisdictions can pose a challenge for report preparers.

e.   A voluntary approach should be maintained. Regulators and stock exchanges should support, but not require, Integrated Reporting.

6   Some respondents saw alignment with global policy (e.g., Sustainable Development Goals and G20 agenda) and national policy as an enabler.

7   Concerns over directors' liability were seen as a barrier to adoption, more so in some jurisdictions such as Australia, than others. Developing a 'safe harbour' for directors and inclusion of cautionary language were mentioned as possible actions.

8   Sharing experiences, examples and guidance were mentioned as enablers, with one respondent noting the opportunity to better organize resource material on the IIRC website. Some respondents suggested preparers should "just get on with it" and learn by doing.

9   Implementing Integrated Reporting is not without cost, which should be acknowledged. But it is important that the benefits are also understood.

II. Key observations and issues

10 Different organizations will follow different pathways to Integrated Reporting, and helping them identify which path to follow will encourage them getting started on the journey.

11 Several respondents cited the existence of different forms of reporting as a barrier to the uptake of Integrated Reporting. This view was underpinned by perceptions of confusion, conflict, complexity, duplication and lack of clarity. Many suggested that better alignment and cooperation to achieve coherence, particularly with GRI, is needed. The role of the Corporate Reporting Dialogue was raised.

12 A small number of technical issues were mentioned by respondents, including: applying the Framework to service industries, expressing outcomes in terms of the capitals and relative weighting of the Guiding Principles.

13 Respondents referenced the importance of making boards and others charged with governance more aware of Integrated Reporting. Peer pressure and other influencers (including legal, accounting, analyst and advisory professions, communication consultants and global organizations) were also mentioned.

14 As mentioned in responses to some other questions (see Q1 in particular), a number of respondents would like the IIRC to begin identifying metrics, particularly sector-specific key performance indicators, for the less frequently reported capitals.

15 Some respondents mentioned the importance of local conditions for the uptake of Integrated Reporting in particular jurisdictions, and some offered specific observations on particular jurisdictions beyond those mentioned in other parts of this collation (e.g., the importance of a local Integrated Reporting group was mentioned for South Africa and Turkey, and the importance of regulation/listing rules as an incentive or a disincentive was mentioned for Germany and Singapore, respectively).

16 A wide variety of other topics were mentioned by a small number of respondents. These included the flexibility inherent in the Framework and the need to develop competencies in Integrated Reporting.

The IIRC identified the following key issues:

- Simplify report preparers' access to guidance and examples.

- Continue to promote increasing demand for Integrated Reporting by providers of financial capital.

- Continue to drive uptake of integrated reporting worldwide.

- Promote growth in the number of SMEs, public sector and not-for-profit organizations that benefit from Integrated Reporting.

- Actively engage with policy makers and others to ensure regulatory environments encourage Integrated Reporting to thrive.

- Help organizations considering Framework adoption overcome initial hurdles.

- Help report preparers better understand how the pieces of the corporate reporting landscape fit.

III. Tracking perspectives over time

When the International <IR> Framework was released in December 2013, it was accompanied by a *Basis for conclusions* document. This document described our treatment of major technical issues raised by the market in response to our April 2013 *Framework Consultation Draft*. A *Summary of significant issues* also accompanied the release of our Framework and explained how other significant technical issues had been addressed.

The major issues raised during our 2013 consultation period related to:

- Fundamental terminology of 'Integrated Reporting', 'integrated thinking' and 'integrated report'

- Use of the words 'material' and 'materiality'

- Intended audience for integrated reports

- Concepts of value and value creation

- Involvement of those charged with governance

- Relationship between Integrated Reporting and other information

- Measurement and key performance indicators

- Suitable criteria for preparation, presentation and assurance

- Legal liability and competitive harm

Several of these issues were raised during our latest consultation; however, focus generally appears to have moved beyond theoretical or conceptual debate to pragmatic solutions aimed at improving Framework uptake and implementation.

Terminology

Whereas some expressed confusion in 2013 over the 'Integrated Reporting' and 'integrated report' terminology, the distinction between the *act* of Integrated Reporting and the *output* of that process, the integrated report, now seems better understood. Likewise, feedback suggests a firmer grasp of the difference between integrated thinking and Integrated Reporting. Nonetheless, interest in examples and interpretations of integrated thinking remains high.

Barring occasional exceptions, opposition to the term 'materiality' appears to have diminished. Feedback shows that this aspect of Integrated Reporting is nonetheless problematic, but for reasons unrelated to the terminology itself.

From Framework concepts to practice

During this latest consultation, previously-raised issues were often presented in the context of guidance requests or actions to improve adoption of the Framework in its present form, rather than suggesting fundamental change to the Framework itself.

Requests for guidance were made in relation to integrated thinking, value creation and navigating the range of materiality definitions available. In most cases, market feedback pointed to a need to clarify the intent, scope and practical application of these concepts, showcasing examples where possible. In the relatively rare instances where Framework changes were proposed, they focused on the audience for integrated reports and the involvement of those charged with governance.

The path forward

We found no new or compelling arguments in the feedback to indicate a need for Framework revision in the near term. The IIRC does not plan to initiate a formal Framework revision process until at least 2019. If and when such a process is started, the responses to this Invitation to Comment will be re-considered in that light.

IV. Proposed actions

We propose a range of actions arising from our assessment of feedback. The initial prioritization and estimated timing of individual actions reflects the:

- Needs of report preparers, report users and other market participants based on feedback from this consultation and ongoing stakeholder engagement

- Extent to which the underlying subject matter is fundamental to Framework implementation or poses a significant barrier to its uptake

- Anticipated resource availability

- Alignment with other projects

- Opportunities for external collaboration

- Need for more detailed scoping

- Extent to which past guidance by the IIRC or others can be adapted to meet current needs

- Time required to complete various types of outputs.

The final form and timing of actions may change based on further analysis and other circumstances. In particular, with respect to potential technical projects, this will include discussion of project proposals by the <IR> Framework Panel. Project proposals will consider such factors as:

- Issue definition and project scope

- Alignment between projects

- Expected outputs and required processes

- Resource availability and potential for collaboration

- Relative priority in light of evolving market needs.

Multiple capitals

ISSUE
Improve market understanding of the multiple capitals approach

Action 1
Prepare and promote Frequently Asked Questions that address areas such as:
- Coverage of the six capitals
- Aligning with Framework terminology
- Links between the capitals and Content Elements
- Influence of the capitals approach on report structure
- Treatment of capitals not owned by the organization

Lead IIRC technical function

Timing Ongoing

ISSUE
Help report preparers access intellectual, human, and social and relationship capital metrics to suit their unique circumstances

Action 2
Identify relevant and connected metrics and underlying methodologies to facilitate comparisons of strategy, governance, performance and prospects.

Lead IIRC technical function, Corporate Reporting Dialogue and joint projects with partner organizations

Timing Ongoing discussion internally and with the Corporate Reporting Dialogue and others

IV. Proposed actions

Connectivity and integrated thinking

ISSUE
Promote meaningful leading practice examples
that reflect effective integration of the capitals

Action 3
Ensure that the *<IR> Examples Database* demonstrates
integration of the capitals into integrated reports and
addresses such aspects as measurement, trade-offs,
connectivity between the capitals, and relationships
between the capitals and stakeholders.

Lead IIRC technical function

Timing Ongoing

ISSUE
Revisit existing IIRC guidance on the capitals
for potential update and reissue

Action 4
Consider whether key elements of the 2013
Capitals Background Paper for <IR> should be
updated and reissued, potentially as a Practice Note.

Lead IIRC technical function

Timing Q1 2018 (project proposal)

ISSUE
Research the relationship between connectivity
of information and improved decision making

Action 5
Commission research into the extent to which connectivity
of information improves decision making.

Lead IIRC technical function, Academic Network
or others

Timing Q4 2018 (project proposal)

ISSUE
Communicate how other corporate reporting
developments can connect to or support the
preparation of an integrated report

Action 6
Identify and research corporate reporting developments
– with a focus on prominent models and frameworks –
for their alignment with Integrated Reporting. The scope
might include, for example, the 'Core and more' approach
of Accountancy Europe and the Financial Reporting
Council's Guidance on the Strategic Report.

Lead IIRC technical function

Timing Q1 2018

ISSUE
Promote leading practice examples
that reflect connectivity of information

Action 7
Ensure that the *<IR> Examples Database*
demonstrates connectivity of information.

Lead IIRC technical function

Timing Ongoing

ISSUE
Clarify the IIRC's interpretation of integrated
thinking and improve market understanding

Action 8
Develop guidance on approaches to aid the
practical implementation of integrated thinking.

Action 9
Draw on <IR> Business Network participants to
demonstrate the concept of integrated thinking
through case studies and examples.

Lead IIRC technical and networks functions

Timing Guidance: Q4 2018 (project proposal)
Case studies: Ongoing discussion with the
<IR> Business Network

IV. Proposed actions

Key stakeholders' legitimate needs and interests

ISSUE
Improve market understanding of the purpose and audience of an integrated report

Action 10
Prepare and promote Frequently Asked Questions that reinforce the primary purpose of the integrated report and clarify that, in fulfilling this purpose, the integrated report benefits all stakeholders interested in the organization's ability to create value over time.

Lead IIRC technical function

Timing Ongoing

ISSUE
Resolve mixed understanding of the purpose of the Guiding Principle *Stakeholder relationships*

Action 11
Prepare and promote Frequently Asked Questions to reinforce the purpose of the Guiding Principle *Stakeholder relationships* as a means of communicating how key relationships affect the organization's ability to create value, not as a means of satisfying the information needs of all stakeholders.

Lead IIRC technical function

Timing Ongoing

ISSUE
Help report preparers access innovative and inspiring examples of how key stakeholders' legitimate needs and interests are disclosed in integrated reports

Action 12
Consider a research project in this area/focused on this topic, including consideration of the evolving nature of regulations and codes.

Action 13
Ensure that the *<IR> Examples Database* demonstrates appropriate disclosure of key stakeholders' legitimate needs and interests.

Lead IIRC technical function

Timing Research: Q3 2018 (project proposal)
<IR> Examples Database: Ongoing

Materiality and value creation

ISSUE
Help report preparers and others better understand the overarching concept of value creation, as intended in the Framework

Action 14
Consider whether key elements of the 2013 *Value Creation Background Paper for <IR>* should be updated and reissued, potentially as a Practice Note. Emphasize the need for organizations to consider the link between value creation, capitals and outcomes in the context of their own circumstances.

Action 15
Ensure that the *<IR> Examples Database* demonstrates effective disclosures with respect to value creation.

Lead IIRC technical function

Timing Background Paper: Q1 2018 (project proposal)
<IR> Examples Database: Ongoing

IV. Proposed actions

ISSUE
Resolve mixed interpretation of whether different definitions of materiality are needed for different types of reporting

Action 16
Prepare and promote Frequently Asked Questions that address the need for different definitions of materiality to suit different forms of reporting. Align with, and refer to, the Corporate Reporting Dialogue's *Statement of Common Principles of Materiality*.

Lead IIRC technical function

Timing Ongoing

ISSUE
Reinforce the Framework's materiality approach and help report preparers work with different materiality definitions to suit different report forms

Action 17
Develop guidance to address: (i) key elements of the 2015 publication *Materiality in Integrated Reporting* and (ii) significant issues identified by respondents (including the link to other Guiding Principles, use of multiple time frames and application of different materiality definitions across report forms).

Lead IIRC technical function

Timing Q4 2018

ISSUE
Maximize synergy between the Framework's materiality approach and those used in other reporting frameworks

Action 18
Maintain a watching brief over other bodies' projects on materiality (e.g., the International Accounting Standards Board's Definition of Material project) and pursue alignment where appropriate.

Lead IIRC technical function, the Corporate Reporting Dialogue and others

Timing Ongoing discussion with the Corporate Reporting Dialogue and others

ISSUE
Provide practical advice on materiality and the materiality determination process based on the experience of advanced report preparers

Action 19
Publish and promote outputs (e.g., case studies, articles and blogs) from the <IR> Business Network's informal materiality focus group.

Lead <IR> Business Network's and technical functions

Timing Ongoing

Conciseness

ISSUE
Clarify the IIRC's expectations regarding conciseness

Action 20
Prepare and promote Frequently Asked Questions that clarify the IIRC's expectations regarding conciseness.

Lead IIRC technical function

Timing Ongoing

ISSUE
Promote examples of concise integrated reports

Action 21
Ensure that the *<IR> Examples Database* illustrates leading practice with respect to "concisely edited integrated reports" with focused and confined coverage of subject matter, placing priority on "truly material matters".

Lead IIRC technical function

Timing Ongoing

IV. Proposed actions

Business model – outputs and outcomes

ISSUE
Explain the distinction between outputs and outcomes and the relationship between outcomes, the capitals and value creation

Action 22
Develop guidance about the distinction between outputs and outcomes and the relationship between outcomes, the capitals and value creation. Consider the Integrated Reporting Committee of South Africa's 2015 *Reporting on Outcomes* publication.

Action 23
Ensure that the *<IR> Examples Database* demonstrates effective reporting on business model outputs and outcomes.

Lead IIRC technical function

Timing Guidance: Q1 2018 (project proposal)
<IR> Examples Database: Ongoing

ISSUE
Help conglomerates better communicate their multiple business models

Action 24
Consider how best to provide guidance and examples on multiple business models, including the potential to collaborate with others working on the topic.

Lead IIRC technical function

Timing Q4 2018 (project proposal)

Involvement of those charged with governance and identification of the Framework

ISSUE
Increase the number of integrated reports that include a statement from those charged with governance

Action 25
Consider how best to provide guidance on implementing Paragraph 1.20 of the Framework and provide examples of leading practice. Emphasize, in particular to <IR> Business Network members, the importance and benefits of including a statement from those charged with governance in the integrated report. Reinforce such themes as disclosure reliability, report credibility and organizational accountability.

Lead IIRC technical and networks functions

Timing Q2 2018 (project proposal)

ISSUE
Elevate the involvement of those charged with governance in the implementation of Integrated Reporting

Action 26
Liaise with national institutes of directors and other bodies who train and influence those charged with governance to clarify the benefits of involving board members in integrated thinking and report preparation.

Lead IIRC policy and communications functions

Timing Ongoing

IV. Proposed actions

Other Guiding Principles

ISSUE
Lead a shift towards longer term thinking and reporting

Action 27
Continue to emphasize the importance of longer term thinking and value creation among regulators and policy makers (e.g., through collaboration with such initiatives as *FCLT Global*.

Lead IIRC policy function

Timing Ongoing

ISSUE
Help report preparers understand the importance and benefits of balance in integrated reports

Action 28
Emphasize the importance of balance (e.g., avoiding undue emphasis on positive performance and outcomes) and transparency (e.g., including appropriate disclosure of information that might prima facie be thought of as commercially sensitive or a threat to directors' liability) in integrated reports.

Action 29
Research the incentives and barriers to ensuring balance, including discussion of the role of legal liability in various jurisdictions.

Lead IIRC technical and policy function

Timing Emphasis on balanced reporting: Ongoing
Research: Q1 2018 (project proposal)

ISSUE
Promote alignment between reporting frameworks

Action 30
Collaborate with others to research how the Framework's Guiding Principles align with similar concepts in other reporting frameworks.

Lead IIRC technical function, the Corporate Reporting Dialogue and others

Timing Ongoing discussion with the Corporate Reporting Dialogue and others

Other Content Elements

ISSUE
Explain the importance and benefits of disclosing information about competitive landscape and market positioning, and provide leading practice examples

Action 31
Prepare and promote Frequently Asked Questions that address the disclosure of competitive landscape and market positioning and comment on the issue of commercial sensitivity.

Action 32
Ensure that the *<IR> Examples Database* demonstrates effective reporting on competitive landscape and market positioning.

Lead IIRC technical function

Timing Ongoing

ISSUE
Emphasize the importance and benefits of disclosing information about opportunities and provide leading practice examples

Action 33
Prepare and promote Frequently Asked Questions that address the disclosure of opportunities, in addition to risks, in the integrated report.

IV. Proposed actions

Action 34
Ensure that the *<IR> Examples Database* demonstrates effective reporting on opportunities.

Lead IIRC technical function

Timing Ongoing

ISSUE
Underscore the importance and benefits of explaining how the organization's governance supports its ability to create value and provide leading practice examples

Action 35
Prepare and promote Frequently Asked Questions that address the use of extracts or summaries of statutory/regulatory disclosures about governance to satisfy the Framework's requirement for governance-related information.

Action 36
Ensure that the *<IR> Examples Database* demonstrates effective reporting on how governance supports value creation.

Lead IIRC technical function

Timing Ongoing

Other quality issues

ISSUE
Help organizations assess the quality and extent of Framework-adherence of their own integrated reports and identify opportunities for improvement

Action 37
Reinforce the *Summary of requirements* (appended to the Framework), which lists the Framework's 19 requirements, as a quality self-check for report preparers and as criteria for reporting awards programmes.

Lead IIRC technical function

Timing Q1 2018

ISSUE
Continue to promote initiatives that contribute to credibility and trust in integrated reports

Action 38
Liaise and collaborate with bodies engaged in internal audit and external assurance (e.g., Institute of Internal Auditors, International Auditing and Assurance Standards Board).

Lead IIRC technical function with others

Timing Ongoing

ISSUE
Ensure knowledge gained from market feedback is shared with those who undertake training in Integrated Reporting

Action 39
Incorporate key lessons from this feedback exercise into the <IR> Training Programme, as appropriate.

Lead IIRC training and technical functions

Timing Ongoing

IV. Proposed actions

Other enablers, incentives and barriers

ISSUE
Simplify report preparers' access to guidance and examples

Action 40
Avoid fragmentation of IIRC guidance by, for example, limiting authoritative guidance to defined series, ensuring guidance and other resources are readily navigable on the IIRC's website and can be found in a single and logical spot. Review the navigation methods in the *<IR> Examples Database*, add new examples and remove older ones to accentuate the most innovative and inspiring examples.

Lead IIRC technical and communications functions

Timing Ongoing

ISSUE
Continue to promote increasing demand for Integrated Reporting by providers of financial capital

Action 41
Continue to develop and promote the business case for Integrated Reporting among providers of financial capital (e.g., through collaboration with organizations such as the International Corporate Governance Network).

Action 42
Consider collaborative research to better understand how providers of financial capital can best integrate narrative and "non-financial" information about strategy, governance, performance and prospects into their assessments.

Lead IIRC technical, networks, communications and investor outreach functions

Timing Business case: Ongoing
Research: Q4 2017 (project proposal)

ISSUE
Continue to drive uptake of integrated reporting worldwide

Action 43
Continue to develop and promote the business case for Integrated Reporting among report preparers. Ensure material is suited to those in positions of influence, including board members and C-suite. Include consideration of SMEs, public sector and not-for-profit organizations.

Lead IIRC networks and communications functions

Timing Ongoing

ISSUE
Promote growth in the number of SMEs, public sector and not-for-profit organizations that benefit from Integrated Reporting

Action 44
Collaborate with others to prepare research, examples and guidance for organizations and their professional advisers, tailored to the needs of SMEs, public sector and not-for-profit organizations.

Lead IIRC technical function with others

Timing Q2 2018 (project proposal)

ISSUE
Actively engage with policy makers and others to ensure regulatory environments encourage Integrated Reporting to thrive

Action 45
Continue to work with policy makers, regulators and stock exchanges to create conducive environments and to reduce regulatory barriers to adoption of Integrated Reporting.

Lead IIRC policy function

Timing Ongoing

IV. Proposed actions

ISSUE
Help organizations considering Framework adoption overcome initial hurdles

Action 46
Develop a generic Getting Started Guide, building on existing material.

Action 47
Consider whether jurisdiction-specific guidance on pathways to Integrated Reporting should be developed to explain how Integrated Reporting fits into local reporting regulations, practices and culture.

Lead IIRC technical function with others

Timing Getting Started Guide: Q3 2018
Pathways to Integrated Reporting: Q3 2018
(project proposal)

ISSUE
Help report preparers better understand how the pieces of the corporate reporting landscape fit

Action 48
Work with others under the auspices of the Corporate Reporting Dialogue to explain the reason for different report forms (in particular, integrated, financial and sustainability) and how they relate.

Lead IIRC technical function with the Corporate Reporting Dialogue and others

Timing Ongoing discussion with the Corporate Reporting Dialogue and others

Responsibilities	Technical			Communications	Networks		Policy	Training	CRD or others
	IIRC guidance	FAQs or Examples	Research or collaboration		Business/Academic Networks	Investor outreach	Advocacy	Reinforce concepts	Output or alignment effort
Multiple capitals	4	1, 3	2						2
Connectivity of information		7	5, 6		5				
Integrated thinking	8		9		9				
Stakeholder needs and interests		10, 11, 13	12						
Value creation	14	15							
Materiality	17	16	18, 19		19				18
Conciseness		20, 21							
Business model – outputs and outcomes	22	23							
Business model – conglomerates	24								
Those charged with governance	25			26	25		26		
Long termism							27		
Balanced reporting			28, 29				28, 29		
Alignment – Guiding Principles			30						30
Competitive landscape and market positioning		31, 32							
Disclosures about opportunities		33, 34							
Governance and value creation		35, 36							
Self-check tool for preparers	37								
Credibility and trust – audit and assurance			38						38
Incorporate key lessons in training			39					39	
Showcasing IIRC guidance and examples	40	40			40				
Business case				41, 43	41, 43	41			
Narrative and "non-financial" information			42		42	42	42		
SMEs, public sector and not-for-profits			44						44
Conducive regulatory environment							45		
Getting started and pathways to <IR>	46		47						47
Explaining the reporting landscape			48						48

V. Summary of next steps

Initial technical programme

This table indicates initial quarterly allocation of proposed actions for which the IIRC technical function has primary or shared responsibility. It will be updated and reissued periodically to reflect changes due to, for example, further analysis of consultation feedback, project proposal decisions, revised estimates of resource availability, project completions and new project proposals.

	Q4 2017	Q1 2018	Q2 2018	Q3 2018	Q4 2018
Guidance: Project proposals	Materiality (17) Getting started (46)	Multiple capitals (4) Value creation (14) Business model outputs and outcomes (22)	Statement from those charged with governance (25)	Pathways to Integrated Reporting (47)	Integrated thinking (8) Business model reporting by conglomerates (24)
Guidance: Outputs	Frequently Asked Questions* → Leading practice in <IR> Examples Database** → Integration of feedback into training programme (39) →	Practice aid: Summary of Framework requirements (37)		Practice aid: Getting started (46)	Practice Note: Materiality (17)
Research: Project proposals	Use of narrative and "non-financial" information by providers of financial capital (42)	Corporate reporting developments (6) Incentives and barriers to balanced reporting, including legal liability (29)	Implementation by SMEs, public sector entities and not-for-profits (44)	Disclosing stakeholders' needs and interests (12)	Connectivity and decision making (5)
Ongoing discussion with Corporate Reporting Dialogue and others	Multiple capital metrics (2) → Integrated thinking (9) → Materiality and materiality determination process (19) → Credibility and trust – audit and assurance (38) →		Watching brief over other materiality approaches (18) → Emphasis on balanced reporting (28) → Alignment – Guiding Principles (30) → Explaining the reporting landscape (48) →		

*Proposed actions: 1, 10, 11, 16, 20, 31, 33 and 35
**Proposed actions: 3, 7, 13, 15, 21, 23, 32, 34, 36 and 40

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