

Purpose

To discuss a proposed update to the International <IR> Framework in 2020.

Proposed action(s)/‘ask(s)’

Council members are invited to share their perspectives on a potential update to the <IR> Framework, as set out in the attached *Proposal Document*.

Points for information and/or discussion

1. In 2017, the IIRC held a formal public consultation as part of its post-implementation review of the <IR> Framework. Market feedback, as presented in the [International <IR> Framework Implementation – Summary Report](#) indicated that the <IR> Framework continues to stand up to the challenges of implementation. On this basis, the Summary Report offered the following regarding a possible <IR> Framework revision:

There is clearly a choice to be made between giving sufficient time for companies to implement the <IR> Framework *without changes being made*, and updating the <IR> Framework in the light of experience and external developments. We have carefully considered the small number of suggestions made in this exercise for <IR> 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.

2. Several key developments – including the launch of the Corporate Reporting Dialogue, ratification of the Sustainable Development Goals and reopening of the IASB’s Practice Statement on Management Commentary – have emerged since the <IR> Framework’s publication in Dec 2013. Stakeholders have questioned how, or if, these developments influence integrated reporting. Others have called for clearer connections to post-2013 guidance issued by the IIRC.
3. True to the commitment laid out in Item 1, the IIRC Team proposes an update to the <IR> Framework in 2020. Notably, the IIRC Team envisions a ‘refresh’ though minor corrections and clarifications, rather than wholesale changes to the <IR> Framework.

Proposal document

International <IR> Framework revision

Introduction

In 2017, the IIRC invited users and preparers of integrated reports to share their views on the International <IR> Framework. Extensive market consultation pointed to the <IR> Framework’s continued robustness, and underscored an interest in supporting guidance.

Two years on, this document revisits the question of an <IR> Framework revision in 2020 with three imperatives in mind:

- The IIRC should ensure the continued relevance of the <IR> Framework and its connection to developments in corporate reporting and the broader business world.
- A revision provides an opportunity to re-engage the market, raise the profile of the value creation movement and support broader adoption of <IR> Framework principles.
- A renewed <IR> Framework should respond to minor challenges raised in 2017, reflect lessons learned and link to the IIRC expanded body of supporting publications.

Context for a revision

Strategic alignment

The IIRC is in the Momentum phase of its long-term strategy, which builds on policy and market achievements realized in the Breakthrough phase.

A 2020 <IR> Framework revision would reinforce two of six key themes of the Momentum phase strategy:

Make it easier to adopt integrated reporting. The <IR> Framework can reflect market feedback



and lessons learned through clearer explanations of concepts and expectations.

Facilitate alignment in the corporate reporting system. The IIRC will aim to improve consistency with other reporting initiatives by exploring common concepts and terminology.

A milestone year

The year 2020 marks the IIRC’s tenth anniversary. Over the past decade, the organization has witnessed several important milestones in the reporting landscape:

- 2011** SASB launches in the US
- 2013** Focusing Capital on the Long-Term forms as the precursor to FCLTGlobal
- 2014** Corporate Reporting Dialogue launches
- 2015** SDGs are ratified by UN General Assembly
- 2017** Embankment Project for Inclusive Capitalism launches
Final TCFD recommendations are released
- 2018** IASB opens revision of Practice Statement on Management Commentary
- 2019** IAASB Consultation Paper on Extended External Reporting Assurance is released
Corporate Reporting Dialogue issues its report on *Driving Alignment in Climate Reporting*

Technical programme

Findings of the IIRC’s 2017 market consultation were shared in the [International <IR> Framework Implementation – Summary Report](#). The report included 43 actions around which a two-year Technical Programme was built. Most activities have been, or will be, completed in the original 2018-2019 timeframe. A manageable few will spill into 2020 and possibly become part of the scope of a revision.

Planning considerations

Nature of amendments

There are three possible revision categories, namely *corrections*, *clarifications* and *core changes*. The diagram below defines each class and showcases potential revisions.

In the first class, minor inconsistencies detected since the <IR> Framework's 2013 release will be corrected. The second class of revisions will clarify key concepts. For instance, there are opportunities to address the <IR> Framework's treatment of impacts and refine Paragraph 1.20¹ to uphold its original intent and overcome observed challenges. Moreover, practical lessons gleaned from the *Special Interest Group on Integrated Thinking* can provide supplementary content. Finally, the IIRC's FAQs and other post-2013 material on technology and the SDGs can be referenced.

Looking to the third category – core changes – an overhaul of the <IR> Framework is neither anticipated. This assessment is based on:

- The IIRC's 2017 market consultation
- The emergence of substantively equivalent frameworks
- Continued uptake of the <IR> Framework.

Indeed, the market has reaffirmed the robustness of the <IR> Framework's core principles, time and again.

Revision process

Based on the scope of proposed amendments – namely, corrections and clarifications – the anticipated revision process is as broadly defined below:

- | | |
|-------------|-----------------------------------------------------------------------------------|
| Q1 | Process to commence |
| Q1-2 | Proposals on select topics to be tested through focused consultation ² |
| Q2 | Exposure draft to be released for 90-day consultation |
| Oct | Release of Version 2.0 |

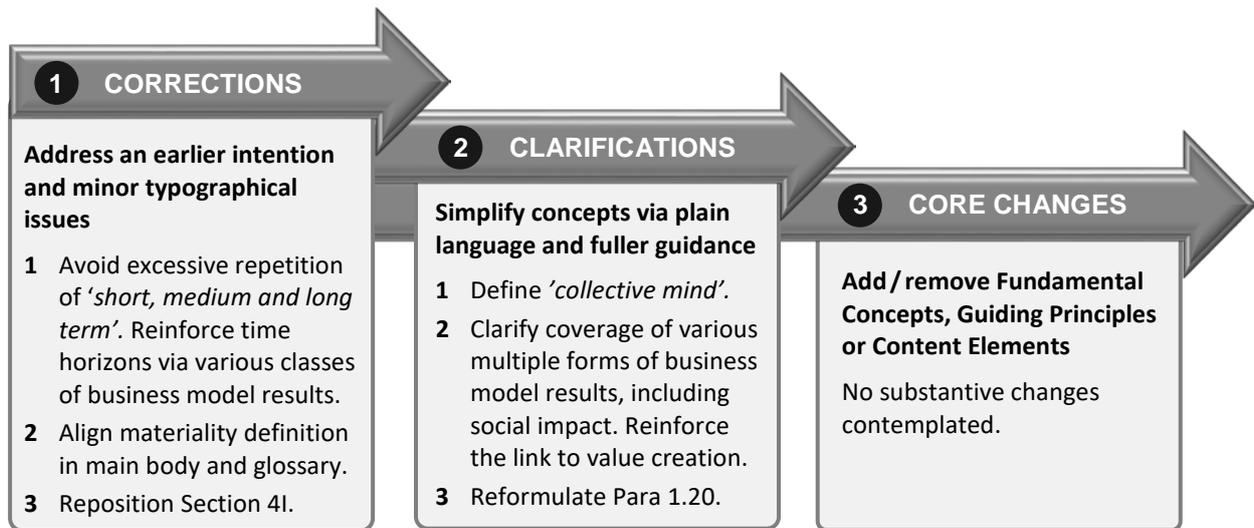
¹ Addresses the preparation and presentation of the integrated report, and the integrity of information therein.

² Defined as a '30-day public consultation period on narrow subject matter'.

Success factors

Successful project completion will require:

- Ample and skilled resources
- Full commitment from the IIRC team and its governing bodies
- Realistic planning and respect for due process
- Continuous communication with the market
- Broad regional and constituency-based representation in consultation responses
- Effective risk monitoring and management.



Risk assessment and mitigating controls

In undertaking an <IR> Framework revision, the IIRC should safeguard against two high net risks:

Risk	Mitigation
Shortfall in project capacity	<ul style="list-style-type: none"> • Arrange sufficient capacity prior to project commencement • Build reasonable flexibility into one or two project stages to accommodate timing or capacity adjustments
Limited market acceptance of the output / perceived lack of credibility	<ul style="list-style-type: none"> • Demonstrate the integrity of the revision process – emphasizing transparency and consensus building – to instil confidence • Maximize opportunities for outreach

With the above controls in place, we are confident that the two primary project risks can be mitigated. Pending Council feedback on this Proposal Document, the IIRC will perform a more rigorous risk assessment, including identifying further controls to reduce the likelihood of adverse events and to mitigate inherent risk.

Risks and the effectiveness of controls should be monitored throughout the project.

Governance arrangements

The IIRC's [Procedures Handbook](#) details the <IR> Framework revision process. A snapshot of this process is provided in the panel to the right.

Regarding governance body consultation, the following meetings provide opportunities for structured discussion and engagement:

	2019	2020
Board	6 Nov	Feb, Apr, Jun
Council	7 Nov	30 Apr

Summary of due process

<p>PROPOSE</p> <p>The IIRC team and Framework Panel prepare a proposal document. Proposed amendments must be supported by at least two-thirds of the Framework Panel, rounded up to the nearest whole number.</p>
<p>PREPARE</p> <p>The Framework Panel prepares a Consultation Draft and <IR> Framework content with support from the IIRC team.</p>
<p>CONSULT</p> <p>The Framework Panel liaises Board and Council members. The Board approves public consultation drafts, which are normally exposed for at least 90 days. The Framework Panel amends the <IR> Framework to reflect public input, consulting with the Council on significant issues.</p>
<p>APPROVE</p> <p>The revised <IR> Framework and an accompanying cover memo are sent to the Board. Conditions of approval are per the Procedures Handbook.</p>
<p>ACCOUNT</p> <p>The IIRC website shares the approved Proposal Document, the Framework Panel's activities and work plans, progress updates, related governing body papers and summaries, public consultation drafts, submissions, the final <IR> Framework and a Basis for Conclusions.</p>