

<IR> Framework Panel: Meeting of Tuesday 22 September 2020

Chair	Erik Breen
Members	Jean-Luc Barlet, Sarah Bostwick Stromski, Michael Gebbert, Nurmazilah Dato' Mahzan, Nancy Kamp-Roelands, Leigh Roberts, Tom Roundell-Greene, Hugh Shields, Zubair Wadee, Jason Voss
IIRC	Richard Barker, Caroline Bridges, Lisa French, Laura Girella, Liz Prescott, Amy Wilson
Guests	Charles Tilley
Apologies	Yoichi Mori
Minutes	Amy Wilson
Agenda	<ol style="list-style-type: none"> 1. Welcome and attendance 2. Minutes of previous meeting (25 Aug 2020) 3. Strategic context 4. Question 1: Statement of responsibility 5. Question 2: Framing of process disclosures 6. Question 3: Process examples/balancing principles versus detailed guidance 7. Question 4: Glossary definition of 'those charged with governance' 8. Question 5: Addition of paragraphs 1.21 and 1.22 9. Any other business 10. Conclusions and next steps

1. Welcome and attendance

The Chair thanked Panel members for their attendance, and the IIRC team for the high-quality meeting papers. The Chair welcomed Charles Tilley, IIRC CEO, and noted apologies from one Panel member, who helpfully provided detailed comments in advance of the meeting.

2. Minutes of previous meeting and matters arising

Minutes of the 25 August 2020 meeting were circulated on 10 September, with a request for comments by 18 September. No comments were received; silence was taken as acceptance of the minutes and no changes were made.

3. Strategic context

Charles Tilley, IIRC CEO, thanked Panel members for their ongoing commitment and provided an update on the move to a more cohesive and connected reporting system and the implications for the IIRC. Notable developments included the release of a joint statement by the IIRC, GRI, SASB, CDP and CDSB indicating a [shared vision](#) of the elements needed for more comprehensive corporate reporting, and their commitment to work towards this goal and engage with key actors (e.g. IOSCO, IFRS, European Commission and World Economic Forum's International Business Council). Charles also noted the release of IFAC's paper [Enhancing corporate reporting: the way forward](#) and its call for a new Sustainability Standards Setting Board. He further noted the paper's call for: (i) integrated reporting principles and (ii) the work of the TCFD to be the starting point for a conceptual framework connecting financial and non-financial information.

4. Question 1: Statement of responsibility (Questions A-G)

In the context of explaining ‘*the extent to which*’ an integrated report adheres to the <IR> Framework – and, in particular, whether a time limit should be placed on that journey – IIRC staff recalled the Panel’s earlier decision to remove the three-year time frame on providing a statement of responsibility. Some Panel members reasoned that a time limit on partial adherence might encourage organizations to improve their application of <IR> Framework requirements year-over-year, and ultimately culminate in a statement of responsibility where allowed. Others Panel members raised the practical challenges of enforcing a time limit on a voluntary, principles-based framework. One Panel member observed that enforcement already occurs in individual markets via corporate governance codes and other mechanisms; another noted that users of integrated reports (e.g. investors) are likely to call out a lack of progress in an organization’s integrated report. There was general agreement that these natural market forces are preferred to prescribed time limits in the <IR> Framework. There are still, however, opportunities to set expectations via the IIRC’s online FAQs or other supplementary guidance.

The need to indicate “*in accordance with*” criteria in paragraph 1.20 was also raised. IIRC staff invited views on referencing the 19 bold letter requirements in paragraph 1.20 and cross-referencing the Appendix. Panel members generally saw no downside to this approach.

IIRC staff flagged a respondent’s concern about the relationship (or perceived conflict) between paragraphs 1.17, 1.18 and 1.20. Panel members agreed to a short paper outlining the issues as it was clear there were different interpretations of the existing <IR> Framework wording.

In response to market feedback, the distinction between ‘*approving*’ and ‘*taking responsibility for*’ the integrated report was discussed. Panel members noted that the term approval has legal and regulatory connotations and should not be introduced into the <IR> Framework. Further, the Panel did not support the addition of approval dates as an <IR> Framework requirement. Panel members agreed that the current emphasis on the ‘statement of responsibility for the integrated report’ should be maintained.

5. Question 2: Framing of process disclosures (Questions H-O)

Regarding paragraph 1.20, IIRC staff flagged market calls for an explanatory statement for the encouraged process disclosures. Survey respondents reasoned that preparers are more likely to prepare meaningful disclosures if they understand the purpose of such disclosures. In the absence of detailed guidance or examples, clarity of purpose becomes all the more important to <IR> Framework users. Regarding the placement of such an explanation, Panel members considered the body of the <IR> Framework, online FAQs and forthcoming *Basis of Conclusions*. Concern was raised over the latter and, in particular, its expected readership by preparers. IIRC staff agreed to consider Panel feedback and develop proposals accordingly.

In relation to the depth or scale of expected process disclosures, Panel members agreed that a degree of clarification was required. The Panel cautioned against being too prescriptive, and suggested following the existing <IR> Framework format (i.e. giving a maximum of four bullet points of guidance/examples). The IIRC team agreed to present alternatives for inclusion in the <IR> Framework, as well as guidance outside the <IR> Framework e.g. FAQs.

Consultation responses showed mixed understanding as to whether process disclosures are required versus voluntary. A small segment of respondents saw the disclosures as voluntary, but called for their upgrade to a requirement. Other respondents also noted ambiguity, but were sharply opposed to their inclusion on a required basis. IIRC staff recalled the original intent of the proposed inclusion of process disclosures, namely to provide an alternative for those unable to provide the statement of responsibility. Staff questioned whether upgrading the process

disclosures to a required element of paragraph 1.20 ran counter to other measures taken to simplify the requirement (e.g. removal of required commentary on a phase-in plan for the statement of responsibility). Panel members considered several models:

1. Provide A (the statement) and B (process disclosures)
2. Provide A or B
3. Provide A or B -- preferably both
4. Provide A, but if not feasible, provide B -- preferably both

Panel members were initially divided on the 'and' approach (option 1) versus the 'or' approaches (options 2 and 3). Seeing a need to encourage <IR> Framework adoption, members leaned towards the 'or' approach. However, the Chair noted that acceptance of the 'or' approach could have the unintended consequence of lowering the requirement for, and diminishing the importance of, the statement of responsibility. This would run counter to the Panel's original intent and to market sentiment, which supported the statement of responsibility.

After careful consideration, Panel members agreed on the fourth option, which it called a 'waterfall' approach. The statement of responsibility should be positioned as the clear preference (i.e. a required element of paragraph 1.20), preferably enhanced by process disclosures. Where legal or regulatory requirements preclude the statement, process disclosures should serve as the alternative. This approach continues to promote the principles of report integrity and credibility. The IIRC team committed to providing potential wording/presentation options for the Panel to consider.

Panel members considered one respondent's recommendation that the statement of responsibility also reflect governance oversight of *'the actions that form the content elements of the integrated report'*. The Panel strongly agreed that the statement of responsibility continue to focus solely on the integrity of the integrated report, to the exclusion of management matters, which are beyond the remit of the <IR> Framework.

6. Question 3: Process examples /balancing principles versus detailed guidance (Questions P-Q)

Not covered due to time constraints

7. Question 4: Glossary definition of 'those charged with governance' (Questions R-V)

Not covered due to time constraints

8. Question 5: Addition of paragraphs 1.21 and 1.22 (Questions W-X)

Not covered due to time constraints

9. Any other business

No further business was brought up in the meeting.

10. Conclusion and next steps

The IIRC team confirmed the Panel discussed half of the questions provided in the meeting papers and requested written feedback on the remaining questions N-X (11 questions).

The Chair noted the quality of the discussion, but that not all agenda items had been dealt with in the meeting. The IIRC team was encouraged to revisit the project timeline and assess whether additional meetings should be scheduled now to ensure sufficient time for Panel discussion and analysis of consultation response. The Chair thanked the IIRC team for its work and thanked Panel members for their contributions.

The next Panel meeting is scheduled for **Tuesday 6 October 2020**.