



Mr Emmanuel Faber  
Chair, International Sustainability Standards Board  
Opernplatz 14  
60313 Frankfurt am Main  
Germany

14 July 2023

Dear Emmanuel

### **Submission by Deakin University Integrated Reporting Centre**

Congratulations on launching this important, timely and long-anticipated consultation. Thank you for the opportunity for us as leaders of the Deakin University Integrated Reporting Centre to make a submission.

This submission recommends that an Integration in Reporting Project should be the International Sustainability Standards Board's top priority and should be accomplished in three phases:

1. **Announcement by the IFRS Foundation Trustees and Chairs of IASB and ISSB** to build on the May 2022 integrated reporting recommendation by the Chairs of the IASB and ISSB to continue adopting the Integrated Reporting Framework, and subsequent events, so as to remove market uncertainty about the future of integrated reporting.

No research project would be required to develop this announcement as it would build on the existing human and intellectual resources of the IFRS Foundation and existing academic research as to the benefits of integrated reporting. Duration – announcement made within 60 days.

2. An **Integrated Reporting Standard** with an outcome of achieving globally consistent and comparable integrated reports containing material metrics derived from IFRS Accounting and Sustainability Disclosure Standards and other sources (eg GRI, self-determined for intangibles) – concise yet comprehensive, insightful integrated reports which providing suitable criteria for assurance – useful for and usable by investors and other stakeholders.

Individual jurisdictions could adopt the standard (in the sense of having requirements that must be adopted in order to claim compliance) on a mandated, 'if not, why not?' (corporate governance codes) or 'adoption encouraged' basis. Duration – completion within 12 months.

3. **Conceptual Framework for Corporate Reporting** – a research project in relation to a conceptual framework for corporate reporting which can underpin both sustainability disclosure and sustainability reporting assurance standards.

The Framework would build on existing human and intellectual resources of the IFRS Foundation (the Integrated Reporting Framework, Conceptual Framework for Financial Reporting, Management Commentary Practice Statement and Integrated Thinking Principles) and existing academic research.

Significant industry and academic research has already confirmed the benefits of integrated reporting. It will be important for the ISSB to obtain and build on this research to ensure that all existing sources are brought together if the ISSB research project leads to a framework development project. We believe that the Integrated Reporting Framework provides a sound conceptual basis for integrating important disclosures as well as the foundation of a Conceptual Framework for Corporate Reporting. The DIRC would be delighted to work with existing IFRS Foundation integrated reporting specialists to conduct this research. Duration – completion within 24 months.

All three phases of the project should be commenced immediately and proceed in parallel. The detail of this recommendation is set out in our response to Question 7. We note that we have not answered all questions asked in the Request for Information and have focused on our answers to Questions 1 and 7. We have collected recommendations made in our answers in the appendix to this letter.

#### Submission Context – Moving Towards a Cohesive and Connected Corporate Reporting Ecosystem

The International Federation of Accountants and Accountancy Europe have been stressing the importance of securing a cohesive and connected corporate reporting ecosystem for some years. The consolidation and simplification that we have seen with sustainability reporting and assurance frameworks and standards over the last few years is an important component of enhancing the ecosystem but not the only component. Other components and market participants in the ecosystem include governments, regulators, technology and system capacity.

In a 2019 Point of View<sup>1</sup>, IFAC stated that it believes that the corporate reporting ecosystem, consisting of multiple and competing reporting workstreams, was not best serving the interests of capital markets, companies or their stakeholders. The resulting complexity and lack of comparability was leading to inefficiency and increased costs — for both companies and investors. IFAC stated that the former International Integrated Reporting Council’s umbrella Integrated Reporting Framework provides a basis for narrative information and metrics that enable organizations to more effectively communicate their sustainability and ability to create value over time.

IFAC went on to say that building on the Integrated Reporting Framework is a critically important component of achieving the required ecosystem: “We encourage regulators and standard-setters to use the International Integrated Reporting Framework as a foundation for incorporating and organising information about value creation and impacts, including narrative reporting and metrics from the various standard-setting initiatives. A common framework can facilitate the development of best practices and standardisation.”

Accountancy Europe issued a paper with similar themes in 2019<sup>2</sup>. They said, “Conceptual frameworks typically underpin the development of standards. The Conceptual Framework for Financial Reporting achieves this for financial reporting. The [sustainability disclosure] standard setter [now the ISSB] is likely also to require a conceptual framework that may either derive from the coordination of current [sustainability disclosure] frameworks and standards or be entirely new.

The principles of connectivity between the Conceptual Framework for Financial Reporting and the [sustainability disclosure] framework should further be addressed by an interconnected conceptual framework. This would address the long-term value creation process pursued by the company. The framework should capture the following concepts: materiality, connectivity, multi-capital approach, integrated thinking and authenticity, impacts, dependencies and their circularity, etc. The International Integrated Reporting Framework includes many of these concepts and would provide a useful starting point.”

These statements by IFAC and Accountancy Europe are an important backdrop for our submission on the ISSB Request for information, particularly in relation to the potential Integration in Reporting project, and our recommendation that developing a conceptual framework for corporate reporting should be a central component of the project. In relation to the ecosystem, the IFRS Foundation as the peak global corporate

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<sup>1</sup> IFAC Point of View, [Enhancing Corporate Reporting | IFAC](#), 2022

<sup>2</sup> [Interconnected standard setting for corporate reporting - Accountancy Europe](#)

reporting body through its Trustees is ideally placed to be a leading convenor of continuing corporate reporting ecosystem reform.

Another leading convenor in corporate reporting ecosystem reform would be the International Auditing and Assurance Standards Board. To the extent that it and the IFRS Foundation work closely together, the higher the prospects will be for achieving the cohesive, connected and credible corporate reporting ecosystem that we need. Indeed, our submission contemplates the IFRS Foundation and IAASB working together on a shared conceptual framework for corporate reporting which can underpin future IFRS Accounting, IFRS Sustainability Disclosure and IAASB Sustainability Auditing and Assurance Standards.

#### An Integration in Reporting Project to be Prioritised

Now is the time to ensure that the vision of the IIRC and power of the Integrated Reporting Framework are enshrined in the mainstream of corporate reporting through the IFRS Foundation. The main point in this submission is that the highest priority needs to be given by the ISSB, potentially working with the IASB, to an 'integration in reporting project', which should be capable of completion within 24 months given that the required intellectual and human capital already resides within the ISSB and broader IFRS Foundation, and much of the groundwork for the project has already been done.

Integrated reporting underpinned by integrated thinking provides great value for both investors and corporates. Best practice reporting impacts behaviours in terms of the quality of an organisation's governance and management, including demonstrating that a company is safe and secure.

We believe that a Conceptual Framework for Corporate Reporting should have come first, before the ISSB developed IFRS Sustainability Disclosure Standards S1 and S2, and so now should be developed as the main priority so that the conceptual basis for future standards is established. The required content for such a conceptual framework already exists in the Integrated Reporting Framework (which acted as an informal conceptual basis for the development of S1 and S2) and Integrated Thinking Principles, which will minimise the work required. The required specialist expertise to consolidate the Integrated Thinking Principles into the Integrated Reporting Framework as a Conceptual Framework for Corporate Reporting is already in-house within the IFRS Foundation.

#### **Integrated Reporting Standard and Confirmation of IFRS Foundation Commitment to Integrated Reporting**

Our recommendation will result in an Integrated Reporting Standard and a Conceptual Framework for Corporate Reporting, with both based on the existing Integrated Reporting Framework and incorporating relevant aspects of the Management Commentary Exposure Draft, Conceptual Framework for Financial Reporting and Integrated Thinking Principles. The first deliverable from the project as envisaged by us will be an enhanced version of the announcement by the Chairs of the IASB and ISSB on 22 May 2022 which encouraged continued adoption of the Integrated Reporting Framework.

#### **An Integrated Report**

The ideal location for disclosures under IFRS Sustainability Disclosure Standards S1 and S2 is in an integrated report. Indeed, material disclosures under IFRS Accounting Standards, GRI Standards and other self-determined metrics, for example in relation to intangibles, can be included in such an integrated report, with the proviso that the integrated report must remain concise and not obscure material information, while being comprehensive and insightful for investors and other stakeholders. The S1 and S2 disclosures would be provided in a strategic business context.

The existing Integrated Reporting Framework implicitly calls for integrated reports, with many paragraphs referring to the 'integrated report'. It defines an integrated report in the Glossary as "A concise communication about how an organisation's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation, preservation or erosion of value in the short, medium and long term".

In this submission we recommend that this implicit call be converted to a requirement for organisations to produce an integrated report in accordance with the Integrated Reporting Standard. Effective reporting requires one integrated report that is strongly supported by the organisation's governing body (most commonly the Board of Directors), which describes the business and shows the connectivity between the financials and sustainability disclosures, and that the integrated report provide the basis for independent external assurance.

In many jurisdictions, including Australia, the primary regulatory report for investors can be called an integrated report, or the report can at least state that it has been prepared in accordance with the Integrated Reporting Framework. It would assist if the IFRS Foundation prepares a paper which demonstrates this for major jurisdictions.

### **The Responsibility of Directors for the Integrity of the Integrated Report**

The Integrated Reporting Framework has stood the test of time, for the last decade enabling the preparation of high-quality integrated reports around the world which recognise the distinctive contributions of Boards of Directors and other governance bodies to enterprise value creation, and the responsibility of Boards of Directors for the integrity of integrated reports and the underlying reporting process.

Paragraph 1.20 of the Integrated Reporting Framework specifies that the Board of Directors, as distinct from management, must formally acknowledge responsibility for the integrated report for the report to be in accordance with the Integrated Reporting Framework. An integrated report prepared in accordance with the Framework provides strategic and authoritative business context for the metrics required to report the performance and prospects of *The Business*. This acknowledgement of responsibility is important to investors in analysing the appropriateness of metrics being reported to them.

### **Independent Assurance of Integrated Reports**

Integrated reports as described above, where the Board of Directors has declared its responsibility for their integrity, have proven to provide suitable criteria for assurance under International Statement of Assurance Standards ISAE 3000, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information', through the Basis of Preparation and Presentation requirement of paragraph 4.41 of the Integrated Reporting Framework. The relevant standard will transition to being International Statement of Sustainability Assurance Standards ISSA 5000, 'Sustainability Reporting Assurance' in 2024.

### **Integrated Thinking Foundation of Integrated Reporting**

Successful integrated reporting adopters often report on the significant business benefits they have derived through integrated reporting given the foundation of the integrated reporting process on integrated thinking. Adopting integrated thinking drives business improvement. The integrated report provides an opportunity to report on that business and its improvement, its performance and prospects. It is a window into the quality of the organisation's integrated thinking.

Building on successful case studies, the principles of integrated thinking have now been consolidated in the Integrated Thinking Principles. The first version was published by the Value Reporting Foundation in 2022.

Our submission recommends that the Principles be fully incorporated in the Conceptual Framework for Corporate Reporting.

IFRS Foundation Integrated Reporting Resources

The Integration in Reporting project can be completed by expert teams within the IFRS Foundation who have not been deeply involved in developing IFRS Sustainability Disclosure Standards S1 and S2, and who are not likely to be deeply involved in developing further IFRS Sustainability Disclosure Standards, including the three potential standards identified in this Request for Information.

Because an Integration in Reporting project will not divert the management resources which would be required to develop some or all of the three projects envisaged on further sustainability topics, we anticipate that it will be possible to complete an Integration in Reporting project in the same timeframe as one or more of the three other potential projects are progressed.

**The Deakin University Integrated Reporting Centre**




The Deakin University Integrated Reporting Centre (DIRC) is an independent thought leadership centre with deep connections into academia, accounting and assurance standard-setting, and the business world. It provides leadership across three pillars of excellence in integrated reporting: thought leadership and engagement, education and training, and research. It also provides the Secretariat for the Australian Business Reporting Leaders Forum (BRLF).

The BRLF is a discussion forum. It is the IFRS Foundation’s designated Integrated Reporting Community for Australia and is a reporting stakeholder to the Financial Reporting Council. Accordingly, it has direct international connectivity and a strong local voice. Its mission is to drive better business reporting focusing on integrated reporting and producing supporting research, thought leadership and education in integrated reporting.

This consultation is core to the missions of both the DIRC and BRLF of better business reporting. We make this submission as leaders of the DIRC.

The DIRC is available to discuss any aspect of this submission or to support the ISSB in implementing its recommendations.

Yours faithfully

		
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## Appendix – Listing of Recommendations

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2	1(c)	A project on intangibles should be included within the scope of the ISSB's work	7
3	3	We do not believe that any one of the four proposed projects should be the sole project. If there was a need to choose one, we would choose an Integration in Reporting project	9
4	7(a)	The project should be pursued jointly with the IASB so that it effectively becomes a project of the IFRS Foundation which can be directly overseen by the IFRS Foundation Trustees	10
5	7(a)	The project should be pursued in three parallel phases over the two-year agenda period. All three phases should and can be commenced immediately	10
6	7(a)	The International Auditing and Assurance Standards Board be offered Observer status within the project oversight structure for the Integration in Reporting project	11
<b>Phase 1 – Formal announcement by IFRS Foundation Trustees, IASB and ISSB</b>			
7	7(a)	The chairs of the IASB and ISSB should formally re-affirm their commitment to the Integrated Reporting Framework and the IFRS Foundation Trustees should sign this policy announcement along with the IASB and ISSB	12
<b>Phase 1 – An Integrated Reporting Standard</b>			
8	7(a)	Using the Integrated Reporting Framework as the base, the content elements, guiding principles and other requirements should be blended with equivalents in the Management Commentary Exposure Draft using the Integrated Reporting Framework as the basis, ensuring no dilution of the Integrated Reporting Framework	13
9	7(a)	Paragraph 1.24 of the Integrated Reporting Framework should be elevated to bold italics status in the Integrated Reporting Standard	14
10	7(a)	A tailored version of Figure 2 in the Integrated Reporting Framework is usually an indicator of a good integrated report and this should be highlighted in the standard	15
11	7(a)	Paragraphs 4.42 and 4.43 of the Integrated Reporting Framework should be elevated to bold italics status in the Integrated Reporting Standard	16
12	7(a)	The output of Phase 2 should be named an integrated reporting standard	16
13	7(a)	The report from applying the Integrated Reporting Standard should be named an integrated report, be the responsibility of the Board of Directors and show the quality of the organisation's integrated thinking and connectivity between the financials, sustainability and value to the entity. This should be made clear and a mandatory requirement for claiming adoption of the standard.	16
14	7(a)	An evaluation and pilot test should be performed on both the format of the Integrated Reporting Framework and Management Commentary Exposure Draft approaches during Phase 2	16
<b>Phase 3 – A Conceptual Framework for Corporate Reporting</b>			
15	7(a)	A discussion on objectives of a Conceptual Framework for Corporate Reporting and in that context its name should be an early priority of Phase 3	18-19
16	7(a)	The Dynamic Materiality Diagram should be included within the Conceptual Framework for Corporate Reporting.	19
17	7(a)	An explicit objective in relation to the integrated report reflecting the quality of the organisation's integrated thinking should be incorporated in both the Conceptual Framework for Corporate Reporting	20
18	7(a)	The Conceptual Framework for Corporate Reporting should incorporate a discussion of the concepts of reporting strategy, corporate reports portfolios and corporate reporting management systems as part of an organisation's integrated thinking	23
19	7(a)	The concepts of 'sustainability' and 'sustainability-related financial' should be covered in depth in the Conceptual Framework for Corporate Reporting	23
20	7(a)	The Conceptual Framework for Corporate Reporting should have a change in terminology where 'the capitals' is changed to 'resources and relationships'.	25
21	7(a)	A clear distinction should be made between 'management' and 'those charged with governance'	24
22	7(c)	Relevant aspects of the Management Commentary Exposure Draft should be incorporated into Sections 4F (Performance) and G (Outlook) of the Integrated Reporting Framework based upon the detailed comparison of both	27

## Responses to Questions

Set out below are our responses to the questions asked.

### **Question 1a:** Strategic direction and balance of the ISSB's activities

From the highest priority to the lowest we would rank these activities as follows:

- (i) beginning new research and standard-setting projects on biodiversity, ecosystems and ecosystem services; human capital; human rights; **integration in reporting**.
- (ii) researching targeted amendments to existing ISSB standards.
- (iv) enhancing SASB Standards
- (iii) implementation support for S1 and S2

#### **(a) Question 1b:** Reasons for your ranking order and types of work ISSB should prioritise

We recommend that a project on Integration in Reporting should be added to the ISSB's two-year agenda as its highest priority – refer to our answer to Question 7 for detail.

The outcome of the project as we envisage it will be a robust conceptual framework for corporate reporting as the basis for IASB and ISSB standard-setting and use of integrated thinking to drive improvements in business productivity, and an integrated reporting standard that drives the preparation of one integrated report that is the primary responsibility of **the Board of Directors**, shows the **connectivity** between the financials, sustainability and value to the entity, and provides suitable criteria for assurance. Such an integrated report is the ideal location for providing sustainability-related financial disclosures within a strategic business context.

The Conceptual Framework for Corporate Reporting will make future IFRS Sustainability Disclosure standards more resilient as the standards (including standards on Biodiversity, ecosystems and ecosystem services; Human capital and Human rights) would incorporate the objectives, integrated thinking foundation and common concepts and definitions of that framework. It will also provide a prioritisation framework for future sustainability standards development work as conditions change and new sustainability topics not at the forefront today emerge.

While IFRS Sustainability Disclosure Standard S1 picks up certain aspects of the fundamental concepts from the Integrated Reporting Framework, it does not reflect the integrated thinking principles in any depth or establish the basis for connectivity of disclosures between topics covered by different IFRS Sustainability Disclosure Standards.

The Conceptual Framework for Corporate Reporting would be based on the Integrated Reporting Framework without dilution and provide a resource for managing the risk of unintended consequences of setting standards not having regard to all aspects of the Conceptual Framework, including its integrated thinking foundation. There is a strong case to time projects on Biodiversity, ecosystems and ecosystem services; Human capital and Human rights standards to coincide with the Conceptual Framework for Corporate Reporting firming up.

There will be time for this given that first disclosures under IFRS Sustainability Disclosure Standard S1 have been deferred for a year. In fact the emerging Conceptual Framework for Corporate Reporting will be a basis for field testing the conceptual strength of S1 before first-time disclosures are made. Hence our rating of (ii) as the second priority. The SASB standards would also best be enhanced in the context of a Conceptual Framework for Corporate Reporting.

Implementation support for S1 and S2 will best be accomplished through the existing Capacity Building Project within the ISSB over the next two years.

As an Integration in Reporting project would be a joint project of the IASB and ISSB it can be completed using existing in-house intellectual and human capital and so should not be an undue strain on ISSB resources.

**Question 1c: (c) Other activities which should be included within scope of ISSB's work?**

We believe that a project on intangibles should be included within the scope of the ISSB's work. This project will best be achieved within the Integration in Reporting project as we envisage it, as intangibles are critically important to integrated thinking and reporting and integrated reporting is a critically important vehicle for communicating about an organisation's intangibles to investors and other stakeholders.

**Question 2: Criteria for assessing sustainability reporting matters that could be added to ISSB's work plan**

Question 2(a). We believe that the ISSB has identified the appropriate criteria:

1. *Importance to investors*

This is a highly important criterion. An Integration in Reporting project meets this criterion. Investors need clear, concise, comprehensive and insightful descriptions of the businesses in which they invest. Such descriptions provide the context for using the metrics and associated disclosures in the report in their own decision making processes. The best location for the description of *The Business*<sup>3</sup> is in an integrated report. Investor needs will best be met by an Integration in Reporting project.

2. *Current disclosure deficiencies*

This is a highly important criterion. An Integration in Reporting project meets this criterion. Current regulatory primary reports for investors tend to be boilerplate and be inconsistent in name, format and content across major jurisdictions. These reports lack an underlying conceptual / reporting framework or standard except where they are prepared with reference to the Integrated Reporting Framework. Investor needs will best be met by an Integration in Reporting project.

3. *Interconnection with other projects*

This is a highly important criterion. An Integration in Reporting project meets this criterion. The Integration in Reporting project will deliver the much-needed Conceptual Framework for Corporate Reporting which sets the foundation for connectivity across other projects.

A Conceptual Framework for Corporate Reporting will be pervasive and connect and support all other projects, and existing IFRS Sustainability Disclosure Standards S1 and S2.

4. *Complexity and feasibility of project and intended outcomes*

This is a highly important criterion. An Integration in Reporting project meets this criterion. The required base materials for an Integration in Reporting project already exist within the IFRS Foundation, as do the required in-house expert resources which we understand are now working together in the IFRS Foundation.

The project will not be complex. It will be feasible, and the outcomes will be beneficial to investors and all other stakeholders, standard setters and regulators, and to national economies.

On the other hand, developing further topic specific IFRS Sustainability Disclosure Standards is likely to require costly external subject matter experts to be contracted. Unlike for IFRS Sustainability Disclosure Standard S2 which was developed after the consolidation of the Value Reporting Foundation and Climate Disclosure Standards Board, the ISSB does not have all the required in-house subject matter experts for the three topic specific standards under consideration.

5. *Pervasive across industries and jurisdictions?*

This is an important criterion. An Integration in Reporting project meets this criterion.

6. *How pervasive / acute for companies?*

This is an important criterion. An Integration in Reporting project meets this criterion. The need to produce integrated reports communicating a description of The Business and in that context the

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<sup>3</sup> We use *The Business* (rather than 'the business') as a single term to describe the components of a business as set out in our answer to Question 7 in relation to Phase 2.



performance and prospects of The Business in a way which meets investor and other stakeholder needs and provides the basis of suitable criteria for independent external assurance, is both pervasive and acute.

7. *Capacity of ISSB and its stakeholders to progress project in timely manner*

This is a highly important criterion. An Integration in Reporting project meets this criterion. The required base materials for an Integration in Reporting project already exist within the IFRS Foundation, as do the required in-house expert people.

(b) *Should the ISSB consider any other criteria? If so what criteria and why?*

We believe that the ISSB's criteria are complete.

(a) **Question 3:** *New research and standard-setting projects that could be added to ISSB's work plan*

We do not believe that any one of the four proposed projects should be the sole project. If there was a need to choose one, we would choose an Integration in Reporting project as it will provide the conceptual framework for all current and future IFRS Sustainability Disclosure Standards.

(i) *If more than one project, which projects should be prioritised and what is the relative level of priority from highest to lowest priority?*

Following an Integration in Reporting project, in priority order we would prioritise projects on:

1. Human capital – relevant materials already exist within the Integrated Reporting Framework and Management Commentary Exposure Draft. The required intellectual property for a conceptual underpinning for a project on human capital already exists within The Capitals fundamental concept and the connectivity guiding principles within the Integrated Reporting Framework. Done in the same timeframe as an Integration in Reporting project providing it with a conceptual framework, a project on human capital should be feasible and not complex subject to the availability of in-house resources.
2. Biodiversity, ecosystems and ecosystem services – unless existing resources (human or intellectual) can be located outside the IFRS Foundation, which will themselves carry a cost, this project could be costly, complex and / or time consuming.

It may be possible to rely on work being carried out by the GRI and in the EU in the short term, with the ISSB project inserting a filter to identify 'sustainability-related financial' risks, opportunities and disclosures. The Materiality Determination Process requirements of the Integrated Reporting Framework will provide existing material which can be used in this process.

3. Human rights – unless existing resources (human or intellectual) can be located outside the IFRS Foundation, which will themselves carry a cost, this project could be costly, complex and / or time consuming.

It may be possible to rely on work being carried out by the GRI and in the EU in the short term, with the ISSB project inserting a filter to identify 'sustainability-related financial' risks, opportunities and disclosures. The Materiality Determination Process requirements of the Integrated Reporting Framework will provide existing material which can be used in this process.

In the short term it may also be possible to include specific disclosure requirements on these three topics in IFRS Sustainability Disclosure Standard S1, given that such standards would be likely to have common material to IFRS Sustainability Disclosure Standards S1 and S2 in relation to the Integrated Reporting Framework and TCFD-derived content of those standards. Content could be included in IFRS Sustainability Disclosure Standard S1 to illustrate how the outcomes of applying IFRS Sustainability Disclosure Standards could be included in an integrated report.

**Question 4:** No response

**Question 5:** No response except to say that a project on human capital should cover all aspects of human capital in the Integrated Reporting Framework – refer Question 3.

**Question 6:** No response

**Question 7:** —New research and standard-setting projects that could be added to the ISSB’s work plan:  
*Integration in reporting*

We recommend that a project on Integration in Reporting should be added to the ISSB’s two-year agenda as its highest priority. We also recommend that the project should be pursued jointly with the IASB so that it effectively becomes a project of the IFRS Foundation which can be directly overseen by the IFRS Foundation Trustees. We further recommend that the project be pursued in three parallel phases over the two-year agenda period. All three phases should and can be commenced immediately.

Such a project will not require an undue allocation of the ISSB’s resources as it will involve utilising existing IFRS Foundation resources which have not been involved extensively in developing IFRS Sustainability Disclosure Standards S1 and S2 and will not be extensively involved in developing further sustainability disclosure standards.

Culminating in a Conceptual Framework for Corporate Reporting, the three phases of the project should be:

- Phase 1 - Issue of a **policy announcement** by the IFRS Foundation Trustees, ISSB and IASB stating that organisations should continue or begin to prepare integrated reports in accordance with the existing Integrated Reporting Framework while the other two phases are in progress. This would be a 60-day project.
- Phase 2 - Consolidation of the standard-like bold italics paragraphs<sup>4</sup> containing content elements, guiding principles and other requirements<sup>5</sup> of the Integrated Reporting Framework with equivalent provisions within the Management Commentary Exposure Draft, using the Integrated Reporting Framework as a base.

The outcome would be an **Integrated Reporting Standard** capable of jurisdictional adoption on a mandatory or ‘if not, why not’ basis as appropriate in individual jurisdictions. This would be a 12-month project.

The first stage of Phase 2 would involve separating the conceptual framework embedded in the Framework and using this as the starting point of Phase 3. The embedded conceptual framework comprises the three fundamental concepts and integrated thinking foundation.

- Phase 3 – A research project which may be followed by a framework development project of a **Conceptual Framework for Corporate Reporting** which is based on, among other things, the separated embedded conceptual framework within the Integrated Reporting Framework (output from Phase 2). This would be a 24-month project.

The table below shows the connectivity of the three phases, which would collectively build towards an integrated reporting standard based on the Integrated Reporting Framework which is consistent with the Conceptual Framework for Corporate Reporting:

	<b>Inputs</b>	<b>Activities</b>	<b>Outputs</b>
Phase 1	22 May 2022 announcement by the Chairs of the IASB and ISSB	Prepare Policy Announcement	Policy Announcement
Phase 2	Elements of Policy Announcement Line-by-line comparison of Integrated Reporting Framework and Management Commentary Exposure Draft	Separation of Embedded Conceptual Framework and Integrated Thinking Foundation  Integration of standard-like features of Integrated Reporting Framework and Management Commentary Exposure Draft in preparing an IFRS Integrated Reporting Standard	IFRS Integrated Reporting Standard

<sup>4</sup> These paragraphs are standard-like as they must be complied with in order for the Board of Directors to claim adoption of the Integrated Reporting Framework in the board responsibility statement.

<sup>5</sup> The integrated report must be designated and identifiable; the report must be accompanied by a responsibility statement from the board of directors.

	Inputs	Activities	Outputs
Phase 3	Separated Embedded Conceptual Framework and Integrated Thinking Foundation Integrated Thinking Principles	Development of Conceptual Framework for Corporate Reporting	Conceptual Framework for Corporate Reporting

### Existing Resources

The people and intellectual property required to conduct the three phases already exist within the IFRS Foundation. Except for the IASB’s Management Commentary team, this intellectual and human capital was acquired by the IFRS Foundation for no consideration (no goodwill was paid) on 1 August 2022 when the Value Reporting Foundation was consolidated into the IFRS Foundation. With a zero cost base and the existence of these in house resources, an Integration in Reporting project offers a significant return on investment for the IFRS Foundation on an already existing cost base (no incremental cost).

The existing intellectual and human capital within the IFRS Foundation for these three phases comprise:

#### *Intellectual Capital*

- **Integrated Reporting Framework**, which has been tried and proven in practice around the world for almost a decade
- **Integrated Thinking Principles**, reflecting integrated thinking as the foundation of the process of integrated reporting
- **Management Commentary Exposure Draft**, which is substantively equivalent to the Integrated Reporting Framework except for the:
  - absence of an embedded or underlying conceptual framework
  - absence of an integrated thinking foundation
  - very limited treatment of governance
  - much narrower requirements in relation to the Basis of Preparation and Presentation

The last two features above are critical to integrated reports providing suitable criteria for assurance under the auditing and assurance standards of the International Auditing and Assurance Standards Board.

#### *Human Capital*

- **Connectivity and Integrated Reporting Team**, a team jointly responsible to both the ISSB and IASB, many members of which were instrumental in the development of the Integrated Reporting Framework and Integrated Thinking Principles.

We understand that this team has had a limited role in relation to the development of S1 and S2, which was mainly in relation to embedding the fundamental concepts of the Integrated Reporting Framework within the S1 and S2 disclosure requirements. The same limited involvement will probably be true in developing further sustainability disclosure standards.

- **Management Commentary Team**, which is part of the IASB and developed the Management Commentary Exposure Draft.

We understand that these two teams are already working together within the IFRS Foundation so that this can be a joint project of the ISSB and IASB.

### Suitable Criteria for Assurance

We recommend that the International Auditing and Assurance Standards Board be offered Observer status within the project oversight structure for the Integration in Reporting project so that the project’s deliverables can be aligned with the IAASB’s sustainability reporting assurance standards.

This involvement would be with a view to the IFRS Foundation and IAASB sharing a Conceptual Framework for Corporate Reporting upon which future sustainability disclosure and assurance standards can be built. This will be key to IFRS Accounting and Sustainability Standards producing content for integrated reports

which are suitable criteria for assurance. A common conceptual framework will ensure continued alignment of IFRS and IAASB concepts, terminology, and standards.

### Resource Intensity

Based on the above, an Integration in Reporting project can be among the least resource-intensive of the four projects. Further, the project should require a lower level of co-ordination as the two teams are already working together within the IFRS Foundation. The project would be the best fit of the four potential projects with the existing skill sets of the IFRS Foundation. Further topic-specific sustainability disclosure standards are likely to require bringing in or contracting topic-specific subject matter experts, which could be costly and difficult to manage.

### The Three Phases

Chronologically, the phases would be as follows:

#### Phase 1 - Policy Announcement – 60 Day Project

The Chairs of the IASB and ISSB recommended continued adoption of the Integrated Reporting Framework on 25 May 2022, in advance of the Value Reporting Foundation being consolidated into the IFRS Foundation. However, this recommendation is unlikely to be enough for many stakeholders who need to be convinced that adoption of the Framework will be a 'no regrets investment' for them before following the recommendation. There must be more certainty.

For this reason we recommend that the chairs of the IASB and ISSB formally re-affirm their commitment to the Integrated Reporting Framework in the context of the Value Reporting Foundation consolidation, incorporation of the fundamental concepts of the Framework into IFRS Sustainability Disclosure Standards S1 and S2 (proving that the framework is robust), and this consultation. We recommend that the IFRS Foundation Trustees sign this policy announcement along with the IASB and ISSB as this will signal the commitment of the IFRS Foundation Trustees to integrated reporting adoption.

Beginning immediately, it should be possible to complete an IFRS Foundation policy announcement in 60 days which re-iterates the 25 May 2022 announcement by the Chairs of the IASB and ISSB and other relevant aspects. The objective of Phase 1 would be to promote immediate action around the world in driving widespread adoption of integrated reporting, building on already significant momentum. We must work toward a global norm of **one integrated report** that shows the **connectivity** between the financials, sustainability and value to the entity; and that there is no reason for organisations to wait to do so. The policy announcement should confirm that organisations preparing such integrated reports will be a 'no regrets investment'.

The Integrated Reporting Framework has been in place for almost 10 years. It was developed based on extensive global outreach. It went through a stakeholder review in 2020 and no major changes were found to be required. It has been proven to work in practice around the world for over a decade, achieving significant momentum for adoption, and by being used as 'suitable criteria for assurance' under International Standard on Assurance Engagements 3000, 'Assurance Engagements Other than Audits or Reviews of Historical Financial Information'.

In addition, adoption of integrated reporting is supported by a getting started guide, and 27 Integrated Reporting Communities around the world. At a strategic level, the IFRS Foundation Trustees, IASB and ISSB are supported by the advice of the Integrated Reporting and Connectivity Council.

The core elements of the policy announcement should be:

- A statement that organisations should produce **one integrated report that is the responsibility of the Board of Directors** which shows the **quality** of the organisation's **integrated thinking** and **connectivity** between the financials, sustainability and value to the entity.
- Re-iteration that there will be no dilution of the Fundamental Concepts, Principles and Integrated Thinking foundation of the Integrated Reporting Framework.
- A statement of belief – that the Basis of Preparation and Presentation in the integrated report will provide suitable criteria for independent external assurance.

- An explanation that the required intellectual and human capital for Phases 2 and 3 already exists within the IFRS Foundation and is ready to go and that Phases 2 and 3 will produce an Integrated Reporting Standard and Conceptual Framework for Corporate Reporting.
- A confirmation that such a project will not prevent the development of further sustainability disclosure standards.

The Phase 1 policy announcement will not require a resource intensive investment. Nor will Phases 2 and 3 which will also use existing expert resources of the Connectivity and Integrated Reporting and Management Commentary teams who are already working together.

Development of S1 and S2 had the benefit of the pre-existing Integrated Reporting Framework. Development of S2 also had the benefit of Climate Disclosure Standards Board's (CDSB) human and intellectual capital and the pre-existing Task Force on Climate-Related Financial Disclosures Recommendations. There was no need to bring in costly topic-specific subject matter experts as the consolidations of the Value Reporting Foundation and CDSB were at zero consideration (no goodwill was paid). This is unlikely to be the case for standard setting projects on biodiversity, ecosystems and ecosystem services, human capital and human rights.

#### Phase 2 - Consolidation of Integrated Reporting Framework and Management Commentary – 12 Month Project

The above IFRS Foundation policy announcement will be in place as an input to Phases 2 and 3.

One of the signatories to this submission is a member of the Integrated Reporting and Connectivity Council. Accordingly, he has seen the comprehensive comparison of the Integrated Reporting Framework and Management Commentary Exposure Draft prepared by members of the Connectivity and Integrated Reporting team of the ISSB and IASB and Management Commentary team of the IASB. This comparison will also be a key input for this phase.

#### **Activities and Outputs**

A key activity will be separating the **embedded conceptual framework** within the Integrated Reporting Framework (the three fundamental concepts and integrated thinking foundation, which will be used in Phase 3) from the standard-like **content elements, guiding principles and other requirements (designated and identifiable; governance responsibility for the integrated report)** within the Framework:

Using the Integrated Reporting Framework as the base, the content elements, guiding principles and other requirements should be blended with **equivalents in the Management Commentary Exposure Draft** using the Integrated Reporting Framework as the basis, ensuring no dilution of the following components of the Integrated Reporting Framework:

- **Governance** – there are two key aspects regarding governance in the Framework.

The first is that the Integrated Reporting Framework contains and emphasises requirements on the distinctive contribution of those charged with governance<sup>6</sup> to value creation, and also the need for connectivity and integration between the Board of Directors and management in the governance and management of the organisation in the interests of all stakeholders in the short, medium and long term.

The second is that the Framework also contains and emphasises requirements on the responsibility of the Board of Directors for the integrity of the integrated report and underlying reporting process (in effect the organisation's integrated thinking in relation to corporate reporting). Paragraph 1.20 states:

*"An integrated report should include a statement from those charged with governance that includes:*

- *An acknowledgement of their responsibility to ensure the integrity of the integrated report*
- *Their opinion or conclusion about whether, or the extent to which, the integrated report is presented in accordance with the <IR> Framework*

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<sup>6</sup> Also referred to as the Board of Directors for simplicity in this submission.

*Where legal or regulatory requirements preclude a statement of responsibility from those charged with governance, this should be clearly stated.”*

Paragraph 1.24 goes further:

*“Process disclosures are encouraged as a supplement to a statement of responsibility from those charged with governance as this information indicates measures taken to ensure the integrity of the integrated report.”*

While paragraph 1.24 of the Framework is expressed as a recommendation, describing the reporting process including the controls therein in an integrated report is effectively mandatory as an understanding of the reporting process will always be material to investors and other stakeholders. Investors will in our view always want to know about how the integrity of a report has been ensured by the Board of Directors so as to have a basis to trust the contents of the report.

The reporting process is a component of the business model within the Value Creation Process, for which there are bold italics content element paragraphs in the Integrated Reporting Framework. Hence our view that paragraph 1.24 is in effect mandatory.

To clarify, we recommend that paragraph 1.24 be elevated to bold italics status in the Integrated Reporting Standard so that it will always be clear that the Board of Directors must acknowledge and declare responsibility for the process used to ensure the integrity of the integrated report for it to be in accordance with the Integrated Reporting Framework.

The Management Commentary Exposure Draft is largely silent on these critical matters to contemporary value creation. This can be traced to the Exposure Draft being founded on the Conceptual Framework for Corporate Reporting, which includes within it a definition of ‘management’<sup>7</sup>, written in 2010 and before the concept of governance has become as foundational to business practice as it is today. That definition is also inconsistent with corporate law in many parts of the world.

This definition has been carried into the Exposure Draft and is a major limitation of the Management Commentary Exposure Draft (refer our submission in relation to the proposed Phase 3).

The paragraphs of the Management Commentary Exposure Draft that refer to governance are paragraphs 2.5 and B12. Paragraph 2.5 states:

*“Management commentary that complies with all of the requirements of this [draft] Practice Statement shall include an explicit and unqualified statement of compliance.”*

That paragraph does not specify who should make this statement.

Paragraph B12 states: *“Management commentary may provide insights into some aspects or consequences of an entity’s governance. For example, some insight may be drawn from management’s description of its strategy, from information on progress in managing key matters or from information about differences between metrics used for incentive plans and metrics used for monitoring progress in implementing management’s strategy. Investors and creditors might need such information to assess management’s stewardship of the entity’s resources. However, **this [draft] Practice Statement does not require comprehensive or detailed reporting on an entity’s governance. Governance is typically regulated by local laws, which may also require entities to provide specified information about governance.**” [Our emphasis]*

The Integrated Reporting Framework is indifferent as to whether local laws which may require a corporate governance statement. The Framework takes the view that the best location for reporting on the governance strategy and performance of the Board of Directors is in a concise, comprehensive and insightful integrated report which can be easily understood and used by investors and other stakeholders.

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<sup>7</sup> Paragraph 1.2 states: “Throughout the Conceptual Framework, the term ‘management’ refers to management and the governing board of an entity unless specifically indicated otherwise.”

The Integrated Reporting Standard should include intact all of the governance content from the Integrated Reporting Framework.

- **Description of *The Business***

The litmus test of a good integrated report is whether it provides a window into the quality of the organisation's integrated thinking, in other words, the way the organisation runs its business. Doing this depends on the inclusion of a strategically based description of *The Business*.

In brief, the description of *The Business* comprises a connected narrative (words, pictures, graphs, tables, diagrams) of, in summary:

- The **What** of *The Business*, corresponding to the *Value Creation* fundamental concept of the Integrated Reporting Framework – the Purpose, Culture, Operating Environment, Risks and Opportunities, and Strategic Objectives of The Business.
- The **With** of *The Business*, corresponding to *The Capitals* fundamental concept of the Integrated Reporting Framework. Many organisations use terms such as Resources and Relationships, Value Drivers or Enablers to describe their capitals. This is permitted by the Integrated Reporting Framework.
- The **How** of *The Business*, corresponding to the *Value Creation Process* fundamental concept of the Integrated Reporting Framework – the Business Model and Risk Management. A tailored version of Figure 2 in the Integrated Reporting Framework is usually an indicator of a good integrated report and this should be highlighted in the standard.
- The **Why** of *The Business*, corresponding to the investment (six capitals) proposition embodied in the integrated thinking window provided by the integrated report – in short, *Why* the organisation is better than its peers and competitors in using its *With* in its *How* to achieve its *What*.

The fundamental concepts are put into practice through the content elements and guiding principles of the Integrated Reporting Framework. This brings about a standardised language for describing *The Business* which provides a basis for consistency and comparability across integrated reports.

The blending of the Integrated Thinking Principles with the embedded conceptual framework recommended in this submission in developing a Conceptual Framework for Corporate Reporting (Phase 3) will further enhance the consistency in descriptions of *The Business* in integrated reports and in time can become the common language of business, which as well as bringing more consistency in descriptions of *The Business* across integrated reports around the world, can be a driver of better business practice and national productivity.

- **Performance and Prospects – Metrics**

The 2021 version of the Integrated Reporting Framework did not determine which metrics should be used to report the performance and prospects of *The Business*. Critically important in this regard is the work of the ISSB in developing IFRS Disclosure Standards which among other things require defined sustainability metrics and associated disclosures.

The SASB Standards add a further dimension to this by talking the general standards to the industry-specific level. IFRS Accounting Standards already provide accounting metrics and associated disclosures which may be included in an integrated report where material, complementing and supplementing the business context for the information in financial statements under IFRS Accounting Standards.

The integrated reporting standard should require the inclusion of material IFRS Accounting and Sustainability metrics and associated disclosures; and have content to supplement that in IFRS Sustainability Disclosure Standard S1 as to how to select and calculate other metrics critical to the performance and prospects of *The Business* which are not currently required by specific IFRS Sustainability Disclosure Standards (eg as to intangibles).

- **Basis of Preparation and Presentation**

Paragraph 4.41 of the Integrated Reporting Framework states:

*“An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated?”*

The approach of the Framework in relation to the content elements is to ask for the integrated report to answer a general question, which is elaborated on in the guiding principles and associated commentary. While this approach has in general been effective, it has been less effective in relation to the Basis of Preparation and Presentation requirement for integrated reports, the overall question for which is in paragraph 4.41.

The power of the Integrated Reporting Framework in relation to the Basis of Preparation and Presentation is provided by paragraphs 4.42 and 4.43 which are not bold italics paragraphs but are more specific as to what is required:

Paragraph 4.42 - *“An integrated report describes its basis of preparation and presentation, including:*

- *A summary of the organization’s materiality determination process (see paragraph 4.43)*
- *A description of the reporting boundary and how it has been determined (see paragraphs 4.44–4.47)*
- *A summary of the significant frameworks and methods used to quantify or evaluate material matters (see paragraphs 4.48– 4.49)*

Paragraph 4.43 - *“An integrated report includes a summary of the organization’s materiality determination process and key judgements. (See paragraphs 3.18–3.20.) This may include:*

- *Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters*
- *Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters A link to where a more detailed description of the materiality determination process can be found may also be included.”*

Accordingly, we recommend that paragraphs 4.42 and 4.43 be elevated to bold italics status in the Integrated Reporting Standard so that it will always be clear:

- that the Integrated Reporting Framework has been used as the primary framework for the integrated report;
- which standards and methods of self-determination (for disclosures not required by the reporting standards used – eg in relation to intangibles) have been applied in determining disclosures to report the performance and prospects of The Business, and how the measures have been calculated; and
- which measures have been taken to ensure the integrity of information underlying the integrated report. This includes explaining the measures taken to ensure the integrity of the description of *The Business*.

The Governance and Basis of Preparation and Presentation components of the Integrated Reporting Framework are critical to the resulting integrated report providing suitable criteria for assurance under International Auditing and Assurance Standards Board assurance standards.

#### **Output – Integrated Reporting Standard**

We recommend that the output be named an integrated reporting standard.

The report from applying the Integrated Reporting Standard should be **named an integrated report**, be the **responsibility of the Board of Directors** and show the **quality** of the organisation’s **integrated thinking** and **connectivity** between the financials, sustainability and value to the entity. This should be made clear and a mandatory requirement for claiming adoption of the standard.



The question-based approach to wording the bolded italic content element requirements, followed by supporting commentary, as well as the bold italics statement approach for the guiding principles and other requirements in the Integrated Reporting Framework, has worked well around the world over 10 years.

We believe that the approach used in the Management Commentary Exposure Draft – areas of content / disclosure objectives / key matters / metrics / focus on information about long term prospects - also has merit, notwithstanding that it has not been tested in practice. The material in relation to intangible resources and relationships, and ESG matters needs to be integrated. We recommend that an evaluation and pilot test be performed on both approaches during Phase 2.

The standard will be capable of jurisdictional adoption through either the primary regulatory report for investors (mandatory) or through ‘if not, why not?’ corporate governance codes (quasi-mandatory).

The IFRS Foundation should work with **jurisdictional regulators** in relation to adoption of this standard and advocate that jurisdictional regulators change the name of primary report for investors to ‘the integrated report’, or in the shorter term have them advise market participants that the Integrated Reporting Framework is an appropriate basis for preparing the primary regulatory report and should be used.

### **Resourcing**

This phase should not be resource intensive. The base work has already been done – refer above.

In short, the specialist expert resources are already in-house at the IFRS Foundation by way of the Connectivity and integrated Reporting and Management Commentary teams. Future IFRS Sustainability Disclosure Standards are likely to require costly external subject matter expert resources.

### Phase 3 - Conceptual Framework for Corporate Reporting – 24 Month Project

It is not possible envisage with granularity what form a Conceptual Framework for Corporate Reporting may look like as more than for Phases 1 and 2, there is a significant amount of work to be done, beginning with a research project. However the IFRS Foundation is well-placed to complete such a project within 24 months because the key ingredients for success are already available or will be available early in Phase 3.

Again, this is the specialists of the Connectivity and Integrated Reporting and Management Commentary teams, although other people within the IFRS Foundation will no doubt have a role in this project. Again, existing intellectual property will be inputs – the embedded conceptual framework within the Integrated Reporting Project, the Integrated Thinking Principles and the Conceptual Framework for Corporate Reporting.

Outputs from Phases 1 and 2 should become progressively available during Phase 3, the policy announcement after 60 days, the separated embedded conceptual framework early in Phase 2, and the Integrated Reporting Standard at the conclusion of Phase 2. The Integrated Thinking Principles and Conceptual Framework for Financial Reporting are already available as inputs.

The *connectivity* content of the Integrated Reporting Framework already exists. Captured within the Conceptual Framework for Corporate Reporting, the connectivity content will provide the basis to ensure connectivity across IFRS Sustainability Disclosure Standards.

The Conceptual Framework for Corporate Reporting phase will involve integrating the embedded conceptual framework and Integrated Thinking Principles, which probably will be the most resource intensive aspect. It will also involve collating key concepts and definitions already in use within the IFRS Foundation; and picking up relevant content from the Conceptual Framework for Financial Reporting.

### **Objectives and Users**

Regardless of the form taken by the Conceptual Framework, it will no doubt be built around objectives for the Framework. Each of the Integrated Reporting Framework, Conceptual Framework for Financial Reporting and Management Commentary Exposure Draft are built around objectives. The Integrated Thinking Principles are built around a Rationale. All have a target audience.

### *Integrated Reporting Framework*

The purpose of the Integrated Reporting Framework is to establish Guiding Principles and Content Elements that govern the overall content of an integrated report, and to explain the fundamental concepts that underpin them (paragraph 1.3 of the Integrated Reporting Framework).

Paragraph 1.7 goes on to explain the purpose of an integrated report to be explaining to providers of financial capital how an organisation creates, preserves or erodes value over time. It therefore contains relevant information, financial and other. An integrated report benefits all stakeholders interested in an organisation's ability to create value over time, including employees, customers, suppliers, business partners, local communities, legislators, regulators and policy makers.

### *Conceptual Framework for Financial Reporting*

Paragraph SP1.1 of the Conceptual Framework for Financial Reporting describes the objective of, and the concept of, general purpose of financial reporting. The purpose of the Conceptual Framework is to:

- a) assist the IASB to develop IFRS Standards that are based on consistent concepts;
- b) assist preparers to develop consistent accounting policies when no standard applies to a particular transaction or other event, or when a Standard allows a choice of accounting policy; and
- c) assist all parties to understand and interpret the standards.

Paragraph 1.2 of the Conceptual Framework states that the objective of general purpose financial reporting is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions relating to providing resources to the entity. Paragraph 1.4 explains that the information needs relate to the economic resources of the entity, claims against the entity, and changes in these resources; and how efficiently and effectively the entity's 'management and governing board' manage the economic resources. Footnote 3 states, "Throughout the Conceptual Framework, the term 'management' refers to management and the governing board of an entity unless specifically indicated otherwise."

### *Management Commentary Exposure Draft*

Paragraph 3.1 of the Management Commentary Exposure Draft states that a management commentary shall provide information that:

- a) enhances investors and creditors' understanding of the entity's financial performance and financial position in its financial statements; and
- b) provides insight into factors that could affect the entity's ability to create value and generate cash flows across all time horizons, including in the long term.

### *Integrated Thinking Principles*

The Rationale for the Integrated Thinking Principles states that the principles provide those charged with governance and the executive management team of an organisation, whether private sector or public sector, a multinational corporation or SME, with a guiding star by which to chart a course focused on creating value over time and minimising value erosion.

The Principles are designed to help senior and middle management teams better understand how their actions and activities – and the decision-making which underpins both, contribute towards the creation, preservation or erosion of value over time. The Principles are founded on the idea that an organisation can only truly create value over time for its key stakeholders across the various capitals if the following six areas are addressed through its business model: Purpose; Governance; Culture; Strategy; Risks & Opportunities; Performance.

### *Integration of objectives*

Developing a Conceptual Framework for Corporate Reporting will enable these objectives to be brought together in a manner suited to underpinning all corporate reporting, including financial reporting, although the Conceptual Framework for Financial Reporting will continue to serve financial reporting under IFRS Accounting Standards well. The Conceptual Framework for Corporate Reporting will be of most utility in relation to sustainability disclosure under IFRS Sustainability Standards, integrated reporting under the IFRS

Integrated Reporting Standard and any pronouncement made by the IFRS Foundation in relation to integrated thinking building on the Integrated Thinking Principles.

Paragraph SP1.5 of the Conceptual Framework for Financial Reporting is not part of the statement of objectives. However, it could be important in the context of a Conceptual Framework for Corporate Reporting because it relates to the overall mission of the IFRS Foundation:

“The Conceptual Framework contributes to the stated mission of the IFRS Foundation and of the [IASB] ... That mission is to develop standards that bring transparency, accountability and efficiency to financial markets around the world. The [IASB’s] work serves the public interest by fostering trust, growth and long-term financial stability in the global economy.” This mission is focused on standards of benefit to trust, growth and long-term financial stability in financial markets around the world and is not restricted to financial statements in accordance with IFRS Accounting Standards.

Paragraph SP1.5 also talks about the Conceptual Framework providing the foundation for standards that:

- relate to general purpose financial reporting and not just financial reports / statements (refer footnote 1 to paragraph 1.2);
- provide transparency;
- contribute to international comparability and quality of financial information (not only in financial statements);
- enable investors and other market participants to make informed economic decisions;
- strengthen accountability by reducing the information gap between providers of financial capital and the organisations in which they invest;
- are of importance to regulators around the world;
- contribute to economic efficiency by helping investors identify opportunities and risks around the world thus improving capital allocation;
- provide a ‘single trusted accounting language’ derived from the Conceptual Framework; and
- lower the cost of capital and reduce international reporting costs.

Having regard to the mission of the IFRS Foundation, and the existence of the ISSB, Integrated Reporting Framework, Management Commentary Exposure Draft and Integrated Thinking Principles<sup>8</sup>, the work of the IFRS Foundation has evolved beyond financial reporting as it was then envisaged (financial statements) and a focus on only investors and creditors. Research by Ocean Tomo and backed by EverEdge<sup>9</sup> suggests that over 80% of market capitalisation and enterprise value of the S&P 500 is not recorded within net assets on balance sheets under IFRS Accounting Standards. There is a corporate reporting gap.

The IFRS Foundation has already made a major contribution to closing this gap through:

- the creation of the ISSB and issue of IFRS Sustainability Disclosure Standards S1 and S2;
- the consolidation of the Value Reporting Foundation and Climate Disclosure Standards Board; and
- explanations of the concept of ‘sustainability’, definition of ‘sustainability-related financial’ and explanation of the proximity between sustainability-related financial and enterprise value.

The Conceptual Framework for Corporate Reporting will have a key role to play working to minimise the gap between enterprise value and net assets on a sustainable basis, and so be the basis of standards which help investors, and indeed other market participants / stakeholders identify opportunities and risks and so be of benefit to trust, growth and long-term financial stability in financial markets around the world improving capital allocation. By incorporating the Integrated Thinking Principles, there may be an additional benefit of improving business productivity.

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<sup>8</sup> These did not exist when the Conceptual Framework for Financial Reporting was published and it has not been updated.

<sup>9</sup> Both firms are intangible asset specialists. Ocean Tomo focuses on market capitalisation and EverEdge focuses on enterprise value

The Dynamic Materiality Diagram would be of real benefit to explaining these matters within the Conceptual Framework for Corporate Reporting. It provides an excellent visual on which to base coverage of integration in reporting across the corporate reporting system. It should be included within the Conceptual Framework for Corporate Reporting.

### **Name of Conceptual Framework**

Given the above analysis of objectives of the existing intellectual property of the IFRS Foundation, Phase 3 will probably involve a discussion as to whether Conceptual Framework for Corporate Reporting is the appropriate name for the conceptual framework. Through the Integrated Reporting Framework and Integrated Thinking Principles, the IFRS Foundation has moved beyond a focus only on reporting, and a focus only on corporate reporting. This submission only aims to flag this matter and not suggest solutions.

We recommend that a discussion on objectives and in that context name should be an early priority of Phase 3.

### **Integrated Thinking Foundation of Integrated Reporting Framework**

The major piece of work requiring completion in Phase 3 will be fully incorporating the Integrated Thinking Principles within the Conceptual Framework for Corporate Reporting. This will be possible in the 24-month timeframe and not be an undue allocation of the ISSB's resources given the existing intellectual and human capital of both the ISSB and IASB.

The existing Integrated Reporting Framework is clear in saying that integrated thinking is the foundation of the process of integrated thinking, and in defining integrated thinking. However there is little discussion on the concept and practice of integrated thinking. Integrating the Integrated Thinking Principles in the Conceptual Framework for Corporate Reporting will allow the Framework to be more explicit about requiring that the integrated report be viewed as a window into the quality of the organisation's integrated thinking.

This is pre-existing as it is contained in the Integrated Thinking Principles. That discussion can be brought into the Conceptual Framework for Corporate Reporting. It will be useful to highlight Figure 1 from the Integrated Thinking Principles. This will be useful for organisations around the world to think about how to describe their integrated thinking in preparing their integrated reports under the Integrated Reporting Standard and so should be in the Conceptual Framework for Corporate Reporting.

It will be important in integrated thinking into the Conceptual Framework for Corporate Reporting to highlight the approach using the three levels:

- Level 1 - the principles, designed for use by the Board of Directors in governance matters
- Level 2 – assessment, designed for use by executive management in strategic management
- Level 3 – operationalisation, designed for use by senior and middle management as they implement the business model

Further work on Level 3 will be required for it to be included in the Conceptual Framework for Corporate Reporting if it is to be fully useful in operationalising the principles in individual organisations. On the other hand, an enhanced Level 3 may be better placed as a companion guide to the Conceptual Framework for Corporate Reporting and integrated reporting standard that can be the basis of integrated thinking advisory services.

### *Terminology*

Entries in the Glossary in the Integrated Reporting Framework should be included in the Glossary in the Conceptual Framework for Corporate Reporting as well as entries in the Glossary in the Integrated Thinking Principles that are not in the Glossary in the Integrated Reporting Framework.

We recommend that an explicit objective in relation to the integrated report reflecting the quality of the organisation's integrated thinking be incorporated in both the Conceptual Framework for Corporate Reporting.

With an integrated thinking foundation, through the Conceptual Framework for Corporate Reporting it will be possible for the IFRS Foundation to go beyond its traditional focus on better information for capital

markets to a more systematic contribution to business productivity, the 'right sizing' of the cost of capital, and an enhancement of an organisation's international competitiveness as well as better information for capital markets<sup>10</sup>. These are matters which will be in the national interest of jurisdictions.

### *Reporting Strategy and Corporate Reporting Management Systems*

We recommend that the Conceptual Framework for Corporate Reporting incorporate a discussion of reporting strategy, corporate reports portfolios and corporate reporting management systems as part of an organisation's integrated thinking.

#### REPORTING STRATEGY

A specific application of integrated thinking relates specifically to the concept of a reporting strategy. There is an opportunity to use a reporting strategy to navigate the maze of mandates and business opportunities.

When asked, organisations often struggle to articulate the concept of a reporting strategy and what their reporting strategy is. Reporting strategies can be characterised as being in one of three categories:

- Type 1 – 'Compliance' reporting - "We report what we have to report."
- Type 2 – 'copy cat' reporting - "We report what our peers and competitors report as well as what we have to report."
- Type 3 – 'strategic' reporting - "We view reporting as an opportunity to drive business benefits and competitive advantage as well as meeting requirements. The foundation of our reporting strategy is an objective of using a flagship integrated report which balances business benefits from effective reporting to stakeholders with meeting regulatory requirements without detracting from the integrated report being concise and not obscuring material information."

The concept of a reporting strategy is designed to assist individual boards and executives in having a basis for steering their own journey through this complex environment.

Organisations can develop an integrated reporting-centric **reporting strategy** which is overseen by the audit committee on behalf of the Board, is 'owned' by the CEO, and is implemented by the CFO via an corporate reporting management system comprised of an aligned reporting process, team drawn from across the organisation, and technology.

A reporting strategy is documented in a way that can *stand up to independent external assurance scrutiny* setting out **what** the organisation wants to report, to **who**, in what **format**, through what **distribution channels, when**, with what level of **information integrity** and **internal control**, with what level of **assurance** and **why**:

- **What** the organisation wants to report - which reports?
- **Who** - which stakeholders?
- **Format** - electronic, paper, verbal?

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<sup>10</sup> Barth, M. E., et al., The economic consequences associated with integrated report quality: Capital market and real effects, *Accounting, Organizations and Society* (2017), <http://dx.doi.org/10.1016/j.aos.2017.08.005>. The abstract to the paper states: "The International Integrated Reporting Council's Framework identifies two goals for integrated reporting: improved information for outside providers of financial capital and better internal decision making. We extend prior research that finds a positive association between integrated report quality (IRQ) and firm value by examining two channels through which this association may arise: a capital market channel and a real effects channel. ... we find a positive association between [integrated report quality] and liquidity, which supports the capital market channel. We find no evidence of a relation between [integrated report quality] and cost of capital. We also find a positive association between IRQ and expected future cash flows. Because this association could reflect better investor cash flow forecasts and a capital market effect, better internal decisions and a real effect, or both, we attempt to distinguish these explanations. We find higher [integrated report quality] is (not) associated with higher realized future operating cash flows (greater analyst target price forecast accuracy) and find **higher [integrated report quality] is associated with higher investment efficiency. These findings support the real effects channel. Together, our findings are consistent with integrated reporting achieving its dual objective of improved external information and better internal decisions.**" [our emphasis]

- **Distribution channels** - online?
- **When** - annual or more regular?
- **Information integrity and internal control?** Instalment 2 of the IFAC Integrated Reporting Assurance series, 'Executing the Board's Governance Responsibility for Integrated Reporting'<sup>11</sup>, offers useful guidance on investing in information integrity and internal control, as does the Institute of Internal Auditors 3 Lines of Defence concept.
- **Assurance - independent external, internal audit, governance review?** Instalment 1 of the IFAC Integrated Reporting Assurance series, 'Accelerating Integrated Reporting Assurance in the Public Interest'<sup>12</sup>, offers useful guidance on investing in assurance.
- **Why** – the business benefits anticipated from implementing the reporting strategy expressed as a return on investment that can be approved by executive management and overseen by the Board of Directors.

The reporting strategy as a component of integrated thinking can address how director liability and 'greenwashing' concerns (in relation to describing the governance, strategy and business model as well as through metrics) can be managed by stakeholder communication, internal control and assurance.

The **why** will presumably be based on an approved business case focused on a **return on an investment analysis**, which has regard to **business opportunity** as well as **regulatory mandates**.

The **output** of the reporting strategy is the design of a corporate reports portfolio, the **flagship** of which is a *designated and identifiable, concise yet comprehensive, insightful integrated report*, the *credibility* of which is enhanced by an aligned corporate reporting system and independent integrated reporting *assurance*.

The flagship integrated report of the corporate reports portfolio is **connected** through technology linkages to special purpose reports or online data repositories such as an MD&A, sustainability report, remuneration report, a corporate governance report, or an ESG Data Repository. It may be possible to streamline these reports. It may also be possible in many jurisdictions to rename primary regulatory reports as 'integrated reports' or to prepare primary regulatory reports in accordance with the Integrated Reporting Framework.

All of the above will be explained in the Basis of Preparation and Presentation in the integrated report (paragraph 4.41 and associated commentary in the Integrated Reporting Framework). This achieved, the integrated report through the Basis of Preparation and Presentation should provide suitable criteria for assurance under ISAE 3000 / ISSA 5000.

Investors and other stakeholders will know **where** to go for more detailed information and **how** to get there easily.

The **outcomes** are better:

- internal decision-making from more integrated thinking with a basis to communicate that business enhancement to investors and other stakeholders; and
- investor and other stakeholder understanding of the 'business story' – the quality of the organisation's integrated thinking - and confidence in using the integrated report as a key input to their business decisions.

#### CORPORATE REPORTING MANAGEMENT SYSTEM

The reporting strategy can be implemented through an integrated reporting management system including an aligned reporting process, team, technology and change management methodology to put the process into place and design and implement the flagship report and portfolio navigation. This will normally be achieved by 'as-is' / 'to-be'- styled gap analyses.

The reporting process will always be a key business process which needs to be described in that part of the integrated report describing the business model. Typically the description will include the process objectives and critical success factors and associated KPIs, systems, and risks and controls. Accordingly,

<sup>11</sup> [Executing the Board's Governance Responsibility for Integrated Reporting | IFAC](#)

<sup>12</sup> [Accelerating Integrated Reporting Assurance in the Public Interest | IFAC](#)

integrated reporting embeds internal control reporting as it relates to the integrated report. This approach will mean that the Board of Directors can make a statement under the recommendation in paragraph 1.24 of the Integrated Reporting Framework in the required statement under paragraph 1.20.

*Implications of reporting strategy, corporate reports portfolio and corporate reporting management system*

We recommend that the concepts of reporting strategy, corporate reports portfolio and corporate reporting management system be incorporated within the Conceptual Framework for Corporate Reporting.

### **Key Concepts and Definitions**

The Conceptual Framework for Corporate Reporting is the most appropriate location for explaining key corporate reporting concepts (eg sustainability, reporting strategy, corporate reports portfolio, corporate reporting management system) and for defining key terms (eg intangibles, integration, connectivity). This will ensure consistency in the use of concepts and terms and can de-clutter individual standards.

A change in terminology is also envisaged in the proposed integrated reporting standard which we recommend should be also included in the Conceptual Framework for Corporate Reporting – to change the term ‘the capitals’ to ‘resources and relationships’.

### ***Sustainability***

The 2021 version of the Integrated Reporting Framework did not contain a discussion or definition of ‘sustainability’. In fact, we are not aware of a universally agreed authoritative definition of the term, other than the original Brundtland Commission definition<sup>13</sup>. This has caused much confusion around the world over the years in relation to sustainability reporting. Terms such as ESG have emerged. Some equate ESG to sustainability, others see sustainability as being broader. The ISSB Board made a major contribution to this topic at its December 2022 meeting by agreeing on a concept of ‘sustainability-related financial’ in the context of a discussion of ‘sustainability’ to be incorporated into IFRS Sustainability Standards S1 and S2.

That concept can be directly incorporated into the deliverables from all three phases of the Integration in Reporting Project. This will ensure that this concept of sustainability will underpin all future IFRS Sustainability Disclosure Standards, as well as integrated reports in accordance with the Integrated Reporting Framework.

We recommend that the concepts of ‘sustainability’ and ‘sustainability-related financial’ be covered in depth in the Conceptual Framework for Corporate Reporting.

### ***Integration and Connectivity***

‘Integration’ is about a comprehensive view of synergies, trade-offs between resources and relationships, and how value creation for the entity is inextricably linked to value creation for others. It is a concept closely related to integrated thinking. The Request for Information in relation to this submission states:

*“Integration in reporting takes the concept of connectivity a step further. Integration in reporting not only encompasses where, what and how information on value creation can be connected through conceptual and operational linkages (for example, in terms of compatibility of language and assumptions), but also includes the collective consideration of the interdependencies, synergies and trade-offs between:*

*(a) the various resources and relationships reported on in general purpose financial reports; and*

*(b) how the value that an entity creates for itself and for its investors is inextricably linked to the value the entity creates for other stakeholders, society and the natural environment. (A40)*

*Integration in reporting can ensure that connections between financial and sustainability performance are explicitly, efficiently and effectively communicated in a manner that is more easily understood by an entity’s investors. “ (A41)*

Paragraph 3.6 of the Integrated Reporting Framework contains the following bold italics paragraph in relation to connectivity:

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<sup>13</sup> In 1987, the United Nations Brundtland Commission defined sustainability as “meeting the needs of the present without compromising the ability of future generations to meet their own needs.”

*“An integrated report should show a holistic picture of the combination, interrelatedness and dependencies between the factors that affect the organisation’s ability to create value over time”.*

Section 3A of the Framework discusses the key forms of information connectivity:

- The content elements
- The past, present and future
- The capitals
- Financial and other information
- Quantitative and qualitative information
- Management information, board information and information reported externally
- Information in the integrated report, information in the organisation’s other communications and information from other sources

IFRS Sustainability Disclosure Standard S1 contains the following black letter paragraphs on connected information:

*“20 An entity shall provide information in a manner that enables users of general-purpose financial reports to understand the following types of connections: (a) the connections between the items to which the information relates—such as connections between various sustainability-related risks and opportunities that could reasonably be expected to affect the entity’s prospects; and (b) the connections between information provided by the entity:*

- (i) within its sustainability-related financial disclosures—such as connections between disclosures on governance, strategy, risk management and metrics and targets; and*
- (ii) across its sustainability-related financial disclosures, its general-purpose financial statements and other general purpose financial reports published by the entity (see paragraphs B38–B42).*

*21 An entity shall identify the financial statements to which the sustainability-related financial disclosures relate.*

*22 Financial data and assumptions used in preparing the sustainability-related financial disclosures shall be consistent—to the extent possible considering the requirements of IFRS Accounting Standards or other applicable GAAP—with the corresponding financial data and assumptions used in preparing the related financial statements (see paragraph B43).*

*23 When currency is specified as the unit of measure in the sustainability-related financial disclosures, the entity shall use the presentation currency of its financial statements.”*

Accordingly, integration and connectivity are closely related and are both components of integrated thinking. Connectivity is operational / mechanical. It reflects connections between financial and sustainability information. Integration is more strategic and it is about how integrated thinking drives the design and operation of the business and how it is described of the business in the integrated report.

It is important that the Conceptual Framework for Corporate Reporting fully discuss the concepts of integration, connectivity and their inter-relationship.

### **Management and Those Charged With Governance**

As discussed in our submission in relation to the proposed Phase 2, we recommend that a clear distinction be made between ‘management’ and ‘those charged with governance’ to highlight the vital importance of governance to value creation and the statutory responsibility of the Board of Directors / those charged with governance to the integrity of corporate reports and underlying reporting processes.

In this respect, International Auditing Standards provide a useful model to follow, particularly in International Auditing Standard IAS 260, ‘Communication with Those Charged with Governance’.

Paragraph 10(a) defines ‘those charged with governance’ as “the person(s) or organization(s) (e.g., a corporate trustee) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity. This includes overseeing the financial reporting process. For some entities in some jurisdictions, those charged with governance may include management personnel,



for example, executive members of a governance board of a private or public sector entity, or an owner-manager.”

Paragraph 10(a) defines ‘management’ as “The person(s) with executive responsibility for the conduct of the entity’s operations. For some entities in some jurisdictions, management includes some or all of those charged with governance, for example, executive members of a governance board, or an owner-manager.”

### ***Intangibles***

The Integrated Reporting Framework has strong content on intangibles through the fundamental concepts of The Capitals.

A Conceptual Framework for Corporate Reporting Conceptual will provide a strong underpinning for an IFRS Sustainability Disclosure Standard on intangibles focused on value creation rather than money spent, which is the case under IAS 38. It would assist in resolving the dilemma between accounting for acquired versus internally generated intangibles.

### ***The Capitals***

We recommend that the term *The Capitals* within the embedded conceptual framework should be changed to *Resources and Relationships*. It is a more understandable and commonly used terminology.

However, the current flexibility attached to the term used by individual organisations should be retained. Organisations should be free to use terms that are more tailored to their own organisational language, such as ‘resources and relationships’, ‘value drivers’, ‘enablers’, or ‘capitals’, provided that they consider the concept of the capitals in their thinking and integrated report.

In time it would be to be hoped that the Integrated Thinking Principles, and after the integration in Reporting Project is completed, the Conceptual Framework for Corporate Reporting, become the common language of business around the world.

### **Limitations of Conceptual Framework for Financial Reporting in relation to Conceptual Framework for Corporate Reporting**

The Conceptual Framework for Financial Reporting has served the development of IFRS Accounting Standards well and is a useful tool for practitioners in dealing with facts and circumstances not fully addressed in the standards. However, the Framework is not an underlying conceptual framework for management commentary, nor the integrated reporting standard being proposed by us.

The limitations of the Conceptual Framework for Financial Reporting in relation to a Conceptual Framework for Corporate Reporting can be summarised as follows:

- The Conceptual Framework for Financial Reporting is conceptually inconsistent with investments in governing an organisation, managing sustainability risks and opportunities and intangibles in substance treats investments in broader sustainability matters (eg managing climate, biodiversity, human rights and human capital) and intangibles as expenditures on value destruction rather than drivers of value creation, with most internally generated intangibles expensed as incurred.
- As explained in relation to Phase 2, there is insufficient attention to governance as a distinct driver of value creation in the Management Commentary Exposure Draft, which was derived from the Conceptual Framework for Financial Reporting. This flows from the definition of ‘management’ in the Conceptual Framework for Financial Reporting.

This definition is inconsistent with the auditing standard on communications with those charged with governance (ISA 260, ‘Communications with Those Charged with Governance’) – refer above.

However, it may be possible to draw on relevant aspects of the Conceptual Framework for Financial Reporting in developing the Conceptual Framework for Corporate Reporting.

### **Output – Format of Conceptual Framework for Corporate Reporting**

It would be useful to put a working end game format in place early in Phase 3 which can be reviewed and adjusted as the phase proceeds.

The format of the Conceptual Framework for Corporate Reporting is:

#### Chapter 1 – The objective of general-purpose financial reporting

- Objectives, usefulness and limitations of general-purpose financial reporting
- Information about a reporting entity's economic resources, claims against the entity and changes in resources and claims
- Information about the use of the entity's economic resources

#### Chapter 2 – Qualitative characteristics of useful financial information

- Qualitative characteristics of useful financial information
- The cost constraint of useful financial reporting

#### Chapter 3 – Financial statements and the reporting entity

#### Chapter 4 – The elements of financial statements

#### Chapter 5 - Recognition and de-recognition

#### Chapter 6 – Measurement

#### Chapter 7 – Presentation and disclosure

#### Chapter 8 - Concept of capital and capital maintenance

The FRC submission to the IIRC on its 2011 Discussion Paper included a potential conceptual framework design suggestion, which included:

#### Reporting Environment

- User needs
- Integrated reporting – discipline and boundaries
- Reporting entity – subject of the reporting

#### Reporting Responses

- Reporting elements / building blocks to be reported; key definitions;
- Qualitative characteristics – benchmarks to be met (eg verifiability)
- How should elements and disclosure be measured
- Report presentation, disclosures about elements

#### *Common Features*

Given that the IFRS Foundation has brought sustainability reporting including sustainability-related financial disclosure and integrated reporting within the realm of general-purpose financial reporting, the format of the Conceptual Framework for Financial Reporting appears to provide a useful model for a Conceptual Framework for Corporate Reporting to be based with 'financial statements' being replaced with 'corporate reports'. The terms 'general purpose financial reporting' and 'reporting entity' can be retained. The concept of capital and capital maintenance discussion could be broadened with reference to The Capitals fundamental concept within the Integrated Reporting Framework.

#### **Resource Intensity**

As stated above, this will not be a resource intensive phase as the required human and intellectual capital already exists internally within the IFRS Foundation.

*Question 7(b)*. Refer to our answer to Question 7(a). There will be limited co-ordination required in relation to Phases 1 and 2.

The Connectivity and Integrated Reporting team of the ISSB / IASB and IASB Management Commentary teams are already working together. The team worked together on the detailed comparison of the Integrated Reporting Framework and Management Commentary Exposure Draft.

The Connectivity and Integrated Reporting team has had limited involvement in developing IFRS Sustainability Disclosure Standards S1 and S2 related to governance, strategy, sustainability-related risks and opportunities, business model and value chain and strategy and decision-making disclosures.

Most work will be required on building the Integrated Thinking Principles into the Integrated Reporting Framework in Phase 3 of an Integration in Reporting project. This will require co-ordination between the IASB and ISSB boards and IFRS Foundation Trustees, notwithstanding that the relevant teams are already working together closely.

*Question 7(c).* Refer to our answer to Questions 7(a) and (b). Phases 1 and 2 should be based on the Integrated Reporting Framework, and relevant aspects of the Management Commentary Exposure Draft should be incorporated into Sections 4F (Performance) and G (Outlook) of the Integrated Reporting Framework based upon the detailed comparison of both.

Refer to our answer to Questions 7(a) and (b). Phases 1 and 2 should be based on the Integrated Reporting Framework, and relevant aspects of the Management Commentary Exposure Draft should be incorporated into Sections 4F (Performance) and G (Outlook) of the Integrated Reporting Framework based upon the detailed comparison of both.

*Question 7(d).* There is nothing more important than having a Conceptual Framework for Corporate Reporting. That Framework is not the Conceptual Framework for Financial Reporting.

**Question 8:** Some may make the case that IFRS Sustainability Disclosure Standard S1 is enough and that no Integration in Reporting project is necessary. We fundamentally disagree with such a position:

- IFRS Sustainability Disclosure Standard S1 is a standard, and not a conceptual framework, nor does it have an underlying conceptual framework that has been proven to work in practice over an extended period, as the Integrated Reporting Framework.

Without a conceptual framework, IFRS Sustainability Disclosure Standard S1 may be found to have redundant or inconsistent content when it is tested in practice. It has been developed without a conceptual framework.

- As explained above, IFRS Sustainability Disclosure Standard S1 does not capture all aspects of the Integrated Reporting Framework.
- IFRS Sustainability Disclosure Standard S1 does not specify a location in which the outputs of applying IFRS Sustainability Disclosure Standards can be placed.

Management commentary containing S1 disclosures is not the appropriate vehicle for the primary report to investors as it does not reflect the distinctive contribution of the Board of Directors to value creation not the Board's responsibility to report to investors and other stakeholders.

- Intangibles are not comprehensively addressed in IFRS Sustainability Disclosure Standard S1.
- While the outcomes from applying IFRS Sustainability Disclosure Standards can be suitable criteria for assurance of selected individual metrics and associated disclosures, the most valuable form of assurance for investors is integrated reporting assurance.

Integrated reporting assurance is where the assurance conclusion is expressed in terms of whether the integrated report containing individual metrics and associated disclosures from applying IFRS Sustainability Disclosure Standards is in accordance with the Integrated Reporting Framework (the Integrated Reporting Standard when the Integration in Reporting Standard is completed during the Integration in Reporting project).