Think Ahead ACCA

<IR> Framework implementation feedback

Invitation to comment from the International Integrated Reporting Council (IIRC)

Comments from ACCA to the IIRC
April 2017
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SUMMARY

ACCA welcomes this opportunity to respond to the invitation to comment on the implementation of the International <IR> Framework ('the Framework'). ACCA have strongly supported the Framework since its inception as a tool to drive better reporting and more responsible corporate practices, and we remain committed to supporting the wider adoption of the Framework throughout its Global Adoption phase. We believe that good practice examples are crucial at the current stage of Framework adoption.

Our comments draw on findings from ACCA's recent research, and reflect the views collated from practitioners and academics from ACCA's Global Forum for Corporate Reporting, Global Forum for Sustainability, and the Accountants for Business Global Forum. They also reflect ACCA's own experience as a preparer of integrated reports, and incorporate comments from the <IR> Framework implementation feedback focus group that we held in Singapore in March. Stakeholders from the Singapore focus group included representatives from companies, professional firms and the Singapore Accountancy Commission.

We understand that the IIRC does not intend to significantly revise the Framework at this time. However, the IIRC may wish to consider making targeted amendments as follows:

- Section 4 of the Framework (content elements) – to reference the value creation process explicitly in describing each of the content elements

- Paragraphs 4.27-4.29 (strategy and resource allocation) – to explicitly link capital inputs to resource allocation

- Paragraph 1.20 (responsibility for an integrated report) – to replace compliance-associated language with a more flexible recommendation to explain the extent to which the organisation has applied the Framework

These are discussed in more detail below.

Finally, given the multiplicity of non-financial reporting requirements, standards and frameworks, ACCA would encourage the IIRC to carry out further consultations regarding the positioning of integrated reporting within the corporate reporting system, and how the Framework interacts with other existing standards and frameworks. This could, for example, include a stakeholder consultation on the role and effectiveness of the Corporate Reporting Dialogue.

COMMENTS

Q1a What is your experience with the multiple capitals approach in integrated reports?

Evidence collected by ACCA points to broad support for the multiple capitals concept.

However, achieving connectivity between multiple capitals proves problematic for many preparers (see also our comments to Q2a below). Our 2016 research[1] on '*The Use and Usefulness of Integrated Reporting*' also suggests that investors often misunderstand the concept of the capitals. Some of the experts consulted by ACCA commented that the term 'capitals' may be counter-productive – a clearer, easier-to-understand term could be 'resources.' This is the term that ACCA uses in our own integrated report. Other terms suggested to describe the factors that drive or destroy value include 'assets' or 'value drivers'.

ACCA observes that there may be a danger of 'mechanistic' thinking, driving companies to classify and report on each capital individually without considering their interdependencies. Similarly, some preparers may mistakenly believe they must report against every capital – however, the six capitals may not be equally relevant to many businesses.

Q1b What, if anything, should be done and by whom to improve this aspect of implementation?

To drive better understanding of the multiple capitals approach, more examples-based guidance from the IIRC would help. In particular, the risk of mechanistic thinking can be countered by providing examples that show how different organisations apply the multiple capitals model in different ways.

The IIRC may wish to issue guidance to encourage organisations to adapt the multiple capitals approach to their unique circumstances and processes. Recognising that organisations may find other terms more appropriate, and indeed encouraging organisations to define the value drivers that are most relevant to them, would help increase engagement with the multiple capitals approach.

[1] Slack & Campbell (2015), *Meeting users' information needs: the Use and usefulness of integrated reporting*, http://www.accaglobal.com/content/dam/ACCA_Global/Technical/integrate/pi-use-usefulness-ir.pdf

In order to more clearly demonstrate how the capitals approach fits within existing business practice, the IIRC may wish to consider explicitly referencing capital inputs in paragraphs 4.28 and 4.29, where resource allocation is discussed. As suggested in the response to Q4b below, the use of consistent terminology with regards to the capitals and the value creation process throughout the Framework should help preparers to apply the fundamental concepts in a more coherent and relevant way.

Q2a What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?

ACCA's experts and stakeholders believe connectivity may be the single most important aspect of <IR> in driving adoption. This is borne out by research findings from ACCA's new thought-leadership report, *Insights into Integrated Reporting*, as well as feedback from participants in the Singapore focus group and experts in our Corporate Reporting and Sustainability Global Forums. Preparers of corporate reports repeatedly emphasise that 'we just want one set of reports.'

However, both ACCA's research and ACCA's own experience as a preparer of integrated reports demonstrate that connectivity may be one of the most difficult Guiding Principle to implement. In particular, preparers appear to struggle to demonstrate connectivity between different capitals, and between financial information and non-financial information.

At present, ACCA observes that among companies, implementation of connectivity often remains superficial. Fully demonstrating connectivity, both between different capitals and between internal management information and externally reported information, is to an extent about corporate culture and management's approach to business. One initial barrier may be that some organisations do not currently think of their business in terms of interrelated capitals.

Wider issues around competition and concerns around public image may also hinder connectivity. It is challenging to explain clearly how a complex business creates value in a way that educated laymen can understand: misunderstanding or misinterpretation, for example by the press, could damage corporate reputation.

Q2b What, if anything, should be done and by whom to improve this aspect of implementation?

More practical examples from the IIRC of what connectivity means for companies would help to drive improvements in reporting.

In addition, the sharing of practice and insights among more industry peer groups (such as the <IR> Insurance Network) could also help to reduce concerns about competition and overcome challenges around communication.

Q3a What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed?

The 2016 <IR> Business Network Report Critique Project, which ACCA conducted in conjunction with the IIRC, showed that all reports reviewed included disclosure on stakeholder relationships, with 66% providing good insight. Notwithstanding, we note that organisations sometimes struggle to explain the nature and quality of key stakeholder relationships, identify stakeholders' needs, and explain how the organisation is responding to those needs.

ACCA's recent research and engagement in public consultations around the EU Non-financial Reporting Directive has shown that there is fundamental disagreement among preparers and regulators alike on exactly who the primary audience of corporate reporting should be. Some preparers hold that investors must be audience on which the materiality filter is based, while others argue that a wider range of stakeholders – employees, suppliers, customers and the public – should be addressed. In our view, each organisation should determine the audience of their reporting, taking into account the organisation's specific circumstances.

ACCA's Sustainability Global Forum noted that most preparers of integrated reports are already reporting under GRI: as a result, they are accustomed to performing materiality assessments, including identifying the needs and interests of stakeholders.

Q3b What, if anything, should be done and by whom to improve this aspect of implementation?

Stakeholder engagement is a clearly crucial part of implementing integrated thinking and integrated reporting.

Our research and feedback from experts suggests that reporting quality on the topic of stakeholder engagement appears to be relatively high. On this basis, this may be an area where additional guidance need not be prioritised at present.

Q4a What is your experience with the Framework's definition of materiality, in particular:

- **Application of the value creation lens?**

- **Use of different time periods to identify material matters?**

ACCA believes that the application of the value creation concepts merits substantial discussion in its own right, beyond its specific relevance to materiality determination. For this reason, we discuss the wider issues around value creation in a separate sub-heading below.

Value creation

Value creation is one of two Fundamental Concepts in the International <IR> Framework.

The ACCA-IIRC-IAAER commissioned research on the determination of materiality[2] indicates that most preparers, including some leading adopters of integrated reporting, choose to use the GRI materiality matrix rather than the <IR> 'value creation lens' as their materiality determination methodology. This conclusion is supported by our new research report, *Insights into Integrated Reporting*.

ACCA's recent report, *Insights into Integrated Reporting*, found that 66% of reports reviewed explained well (at a high level) how the organisation creates value for itself and others. Nonetheless, reviewers observed that, in some cases, organisations gave better explanations of how the organisation creates value itself than of how it does this for others, and some organisations struggled with the distinction between the two. This highlighted, perhaps, a general weakness in identifying what the organisation's stakeholders perceive as value.

Further, the reviews found that although most organisations included good discussion on each <IR> Content Element, the value creation perspective was often lacking.

In ACCA's view, the observations above may reflect a lack of understanding about what constitutes value. The preparers that we have spoken with mentioned challenges in terms of defining, explaining and measuring value. Even mature adopters of integrated reporting note that measurement is an aspect that they have not solved.

Materiality

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[2] Wee, Tarca et al (2016), *Factors affecting preparers' and auditors' judgements about materiality and conciseness, http://www.accaglobal.com/content/dam/ACCA_Global/Technical/integrate/pi-materiality-conciseness-ir-.pdf*

It is unclear what issue the reference to ‘use of different time periods’ is intended to address: paragraph 3.23 of the Framework makes clear that the longer-term impact of relevant matters should be considered. In ACCA’s view, the main issue in terms of materiality centres more around disclosure and audience than around the use of different time periods.

In terms of disclosures around the materiality determination process, the ACCA-IIRC-IAAER research showed that most companies explained how they identified relevant matters as material and provided information about the items they identified as material. However, few companies described the evaluation process used and the prioritising of material items. ACCA believes that clearer explanations about the materiality determination process enhance the credibility of the report, by demonstrating board accountability.

In terms of the audience of reports, the Framework states that ‘the primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time.’[3] The links between the needs of providers of financial capital and the needs of other stakeholders are borne out in paragraph 2.5 of the Framework.[4] ACCA observes that there are growing debates around whether corporate reporting should address a wider audience than providers of financial capital, and that some argue that companies should be encouraged to consider materiality from a wider economic, commercial, social and environmental perspective. Different organisations may choose to adopt different approaches: our research on *Insights into Integrated Reporting* has revealed differing views from preparers on the matter. The fact that some integrated reporting organisations adopt a broader approach to stakeholder identification should be acknowledged.

Q4b What, if anything, should be done and by whom to improve this aspect of implementation?

Value creation

More guidance and real-life case studies from the IIRC which show how organisations define and identify value would be useful.

While we note that the IIRC does not intend to revise the Framework, we would recommend that the IIRC reconsiders the positioning of the value creation concept in

[3] International <IR> Framework, paragraph 1.7

[4] ‘Providers of financial capital are interested in the value an organization creates for itself. They are also interested in the value an organization creates for others when it affects the ability of the organization to create value for itself […]’

the Framework. At present, although value creation for the organisation and for others features as a fundamental concept in the Framework, it is not consistently referenced in section 4 of the Framework, where the content elements are discussed in detail. While the 'value creation process' section (section 2D of the Framework) explains how the concept aligns with each of the content elements, in section 4 of the Framework value creation only features explicitly in relation to governance. In particular, the absence of a reference to value creation in the discussion on outcomes (paragraphs 4.19 to 4.20) is unhelpful, as the identification of outcomes is closely associated with value created or destroyed.

Revising the Framework to include clear signposts to value creation throughout section 4 will help to signal the importance of the value creation concept.

Materiality

Good practice examples from the IIRC to guide organisations in disclosing their materiality determination process can drive better reporting. Some of the examples included in ACCA's *Insights into Integrated Reporting* report contribute to this.

In terms of the audience of reports, it would be helpful for the IIRC to acknowledge that some organisations prioritise the legitimate needs of stakeholders other than providers of financial capital. Practice-focused cooperation with other standard-setting bodies, such as the GRI, to explore coherence between the IIRC's materiality determination approach and other commonly-adopted approaches would be beneficial.

Q5a What is your experience with the conciseness of integrated reports?

Conciseness is inextricably linked to the determination of materiality, and the application of connectivity.

In the 2016 <IR> Business Network Report Critique project, nearly half (9 out of 20) of reports identified as integrated reports ran over 150 pages (excluding financial statements).

Our interviews and discussions with preparers show that conciseness often features as an ambition but it's difficult to achieve. Providing sufficient context for the report users to understand the organisation's value creation often requires more elaboration.

Although ACCA's own integrated report has become more concise – at 40 pages – conciseness remains a challenge. In particular, as a preparer, we have noted that

ACCA and our members often have differing opinions about what constitutes a concise report.

The 2016 materiality study and the Business Network interviews show that organisations use varied techniques to achieve conciseness, such as making use of cross-references (both internally and externally to other reports) and making effective use of tables and diagrams. The use of technology, such as the creation of micro-sites and interactive online formats, is also driving more concise, connected and timely reporting – although many organisations are still searching for the most effective, and credible, way to communicate online.

Q5b What, if anything, should be done and by whom to improve this aspect of implementation?

Guidance referring to the existing body of research and literature, such as the FRC's 2015 thought leadership report *Clear and Concise: Developments in Narrative Reporting*[5] and practice examples included in ACCA's *Insights into Integrated Reporting* report, would help. In particular, case studies reflecting effective use of technology, perhaps with contributions from the <IR> Technology Initiative, would be very relevant.

While conciseness is important for better communication with investors, in terms of the urgency with which guidance is needed, we would suggest that other guiding principles, such as reliability and completeness and connectivity, may warrant being prioritised over conciseness.

Q6a What is your experience with the reporting of business model information, particularly outputs and outcomes?

The 2016 <IR> Business Network Report Critique project did not identify any specific issues with regards to the reporting of business model information. Similarly, no particular challenges were mentioned in our discussions with preparers and corporate reporting experts. This may veil a lack of awareness of the differences between outputs and outcomes.

Q6b What, if anything, should be done and by whom to improve this aspect of implementation?

[5] https://frc.org.uk/Our-Work/Publications/Accounting-and-Reporting-Policy/Clear-Concise-Developments-in-Narrative-Reporti.pdf

More good practice examples of reporting about business models from the IIRC and from national standard-setters and regulators would be beneficial.

Further, the IIRC may consider more explicitly relating value creation to business models in the Framework (see our response to Q6b above). Specific examples illustrating the distinction between outcomes and outputs would also help.

Q7a What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

The statement from those charged with governance was the lowest-rated area in the 2016 <IR> Business Network Report Critique project – only a handful of organisations included statements in accordance with paragraph 1.20 of the Framework. However, several organisations (24 out of a total of 41 reviewed) do reference the Framework, despite stopping short of including the specific statement envisaged. We note also that most organisations are required by local regulatory requirements to explicitly acknowledge the board's responsibility for the annual report.

Assessing the degree of compliance with the Framework could be a challenge for some preparers. For example, we note the board of Novo Nordisk, which has prepared integrated reports since before the Framework was released, has only felt able to assert 'adherence to' the Framework in their 2016 annual report – after they have mapped the Framework to the group's reporting policies, and obtained external limited assurance.

Further, discussions with preparers suggest that concerns around director liability have made preparers in certain jurisdictions hesitant to include such a statement: this is particularly sensitive because the integrated report deals with more forward-looking information, and often includes new, still experimental methods for the definition, collection and reporting of data.

Q7b What, if anything, should be done and by whom to improve these aspects of implementation?

ACCA agrees that in order for integrated reports to be credible, it is important for the board to exercise and signal their accountability over the integrated reporting process. However, for the two reasons outlined in our response to Q7a, companies find it difficult to include comply formally with paragraph 1.20.

We would encourage the IIRC to explore other ways in which boards may demonstrate their commitment to integrated reporting, for example by explicitly referencing the Framework in the Chief Executive's report. An assessment of the extent to which the report adheres to the Framework may also be more meaningful than a standard statement that the report is prepared in accordance with the Framework.

The IIRC may wish to explore revising the wording of paragraph 1.20, to replace the formal and compliance-associated language of 'acknowledgement,' 'conclusion' and 'opinion' with recommendations for organisations to discuss the extent to which their reporting is informed by the Framework. Alternatively, the IIRC may like to issue guidance to encourage those organisations who are not yet ready to include the paragraph 1.20 statement to reference the Framework in other meaningful ways.

Q8a What is your experience with the application of these remaining three Guiding Principles in integrated reports?

ACCA believes that two other guiding principles require the immediate attention of the IIRC, standard-setters and regulators, and preparers. These are consistency and comparability, and reliability and completeness.

Consistency and comparability

During the 2016 <IR> Business Network Report Critique project, panel reviewers rated reports based on whether the information provided was consistent over time, and comparable with other organisations. For 12 out of the 41 reports reviewed, the reviewers were unable to assess consistency and comparability, because no basis for comparison had been provided. In some cases, this was because the report under review was the first integrated report the organisation had produced and no comparator information was available. Among the reports that did provide comparatives, some were inconsistent: for example, some prior year comparatives were provided but not others, and comparisons were made with different time periods. Few reports gave bases for comparison with other organisations.

Our interviews and discussions with preparers have highlighted challenges in determining meaningful and consistent performance measures. One participant in ACCA's Singapore focus group summed this up: 'Too much flexibility is not a good thing when [you] start… Give me something I can follow.' As a result, preparers often turn to frameworks with more specific performance indicators (GRI or SASB) when defining KPIs.

A wider issue around comparability is that the structure and content of integrated reports vary greatly between different organisations. We understand it is the Framework's intention to prioritise relevance over comparability. However, this poses challenges both in terms of use by investors and assurance. A participant in the Singapore focus group asked, 'How can you tell it's an <IR> report?'

Reliability and completeness

The 2016 Business Network Report Critique project showed that 68% of reports used factual and neutral language, but there is still some way to go to achieve a balance of both good and bad news in equal measure with only 51% managing to achieve this. Improving the reliability of data is important for the credibility of reporting in the eyes of investors and other stakeholders.

While faithful representation in financial reporting is well defined, the same degree of definition is hard to achieve with some aspects of the <IR> Framework.

The IAASB has considered a number of key challenges and potential responses in their recent discussion paper, 'Supporting Credibility and Trust in Emerging Forms of External Reporting (EER): Ten Key Challenges for Assurance Engagements.'[6] One specific challenge in terms of external assurance arises when information is reported outside of the annual report: as discussed in ACCA's 2015 research[7].

Q8b What, if anything, should be done and by whom to improve these aspects of implementation?

Consistency and comparability

The IIRC should reinforce the message that performance measures should be provided on a consistent basis from year to year, and that where any changes were made to the measures, the reasons for the change and the basis for calculation must be explained.

Guidance should, in particular, reference key existing guidelines, in particular the ESMA Guidelines on Alternative Performance Measures[8] and the FSB Task Force on Climate-

[6] https://www.ifac.org/publications-resources/discussion-paper-supporting-credibility-and-trust-emerging-forms-external

[7] Maroun & Atkins (2015), *The Challenges of Assuring Integrated Report: Views from the South African Auditing Community* (http://www.accaglobal.com/content/dam/ACCA_Global/Technical/integrate/ea-south-africa-IR-assurance.pdf)

[8] https://www.esma.europa.eu/sites/default/files/library/2015/10/2015-esma-1415en.pdf

Related Financial Disclosures Recommendations Report[9]. Best practice examples, such as those highlighted in ACCA's *Insights into Integrated Reporting* report, would also help.

Reliability and completeness

Organisations have evolved to integrated reporting from a range of different reporting practices. To an extent, preparers need time to put in place a rigorous reporting process. However, the IIRC should reinforce the message that balanced, neutral communication is of paramount importance.

We would also encourage the IIRC to work with the IAASB towards identifying the internal and external processes that would help to enhance credibility and trust in integrated reporting.

Q11a What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to the following.

Q11b What, if anything, should be done and by whom to improve these aspects of implementation?

- Specific jurisdictions

  ACCA has received anecdotal feedback that local regulations – particularly specific rule-based non-financial reporting requirements – can hinder the adoption of integrated reporting.

  For example, Singapore Exchange Limited (SGX) requires all listed companies to publish a sustainability report for financial years ending on or after December 31 2017, taking a 'comply or explain' approach. One participant at the ACCA-run focus group in Singapore noted: 'In Singapore we have a unique, somewhat conflicting position, where <IR> came early as a suggestion — and it's a very good suggestion — but then two years later, SGX issued its guidelines on sustainability reporting requirements. At this point, as a corporate reporter, we are faced between something nice to do versus something we have to do. Obviously with SGX pushing the Sustainability Report, that will get more attention.' He went on to comment that the SGX Sustainability Reporting Guide does refer to <IR> as one of the globally recognised frameworks, but

[9] https://www.fsb-tcfd.org/publications/recommendations-report/

sustainability reporting frameworks like the one promulgated by the Global Reporting Initiative (GRI) are “more structured,” making them easier to adopt.

ACCA’s work on the Insights into Integrated Reporting report has identified similar challenges relating to the Stock Exchange of Thailand. At times, the issue is compounded where the regulatory filing deadline is very tight – a problem reported by JLL in the US.

Further research into how integrated reporting may help organisations to meet regulatory reporting requirements would be beneficial. ACCA is currently scoping out a research project on this topic. At the same time, more targeted interaction with regulators in key jurisdictions is needed to raise awareness of <IR> among regulators, and to mitigate regulatory barriers.

- Interaction with other non-financial/sustainability reporting frameworks

Many preparers appear to try to combine several frameworks, mostly GRI with <IR>. One participant in the ACCA-run focus group in Singapore commented that ‘we’ll end up being a hybrid of what we’re most comfortable with.’

ACCA would recommend that the IIRC seek stakeholder feedback on the role that integrated reporting should play within the reporting landscape. While the IIRC talk of the integrated report as an ‘umbrella’ report, the approach to integrated reporting is still fragmented: some companies incorporate the integrated report in the annual report, some publish a separate integrated report, while for others, the integrated report is a successor of the sustainability report. Gathering views from preparers, investors and regulators about where they see the integrated report fitting in within the corporate reporting package would help to inform the IIRC’s strategy through the Global Adoption phase.

Further, in ACCA’s view, it is important for the IIRC not just to align <IR> with existing financial and non-financial reporting frameworks: the IIRC must more proactively cooperate with other standard-setters to achieve coherence in reporting. In particular, collaboration with GRI, actively building on the work recently begun by the 2017 GRI Corporate Leadership Group on integrated reporting (CLGir 2017)[10] would be particularly pertinent.

In addition, ACCA would encourage the IIRC to seek to cooperate not just with other non-financial reporting frameworks, but also with financial reporting

[10] https://www.globalreporting.org/resourcelibrary/GRI%20CLGir%202017.pdf

standard-setters. ‘Better communication’ is a theme in the IASB’s current work plan: the IASB’s work streams, including the Disclosure Initiative and digital reporting, address issues relating to the quality and usefulness of reporting which the Framework also shares.

Further, going forward into the Global Adoption phase, ACCA believes that the IIRC should aspire to achieve similar levels of technical rigour in its Framework, guidance and research outputs, to that which has been applied to financial reporting standards. Closer dialogues between the IIRC and the IASB will help to identify links between financial reporting and reporting on a broader range of capitals, and inform the technical outputs on integrated reporting.

- Interaction with regulations

Interviews with preparers showed that regulation is a crucial factor in influencing the extent of organisations’ <IR> adoption, as well as the degree to which they benefit from integrated reporting. In some jurisdictions, reporters were able to work hand-in-hand with regulators and stock exchanges in innovating reporting practices. In others, the regulators’ unfamiliarity with integrated reporting and preference for more specific, standardised disclosure have prevented organisations from producing fully integrated reports. Regulators also exercise a signalling effect: where the regulator does not endorse <IR>, investors are also likely to remain sceptical.

ACCA believes that implementation of the Framework by preparers is most effective when it is done through voluntary adoption. Mandatory adoption runs the risk of leading to a compliance-driven approach among preparers, which is counter-productive. To encourage voluntary adoption, the IIRC should continue to raise awareness of <IR> among national regulators and policy-makers, both by working directly with them, and through local professional bodies and <IR> networks.

- Investor perspective

Our 2016 research showed that familiarity with, and demand for, <IR> among investors are mixed. Buy-side fund managers involved in ESG fund decision-making are the most knowledgeable and on-board; sell-side equity analysts remain uniformly cynical, reflecting perhaps the shorter-term horizons and incentive structures on the sell-side. However, consensus does emerge among investors and other financial users that they would welcome a form a corporate

reporting that is more closely linked to business strategy, and focused on long-term value.

The panel at the ACCA-run focus group in Singapore agreed that demonstrating the value of integrated reporting to investors as well as to corporate boards will be key to encouraging more firms to embrace <IR>. One participant noted that 'as a corporate you need to be able to articulate [the commercial benefits of integrated reporting] to investors, so that they understand sustainability is not just about good branding or the intangible benefits.'

Corporate members of <IR> networks have a role to play in increasing awareness and buy-in from investors.

- Reporting burden

A barrier to the adoption of integrated reporting is the perception of reporting burden. Most preparers of integrated reports are responsible for integrated reporting alongside other pressing, compliance-driven responsibilities. Practical, easy-to-apply guidance is particularly important for resource-constrained preparers.

At the same time, the IIRC needs to be open about the transitional costs (in terms of time and staff) of implementing integrated reporting. Integrated reporting requires the commitment of the board and staff, and this expectation should be clear to adopting organisations wishing to reap genuine benefits from integrated reporting.