FAQ: Reporting in a time of crisis

During the COVID-19 pandemic organizations may be called on to include additional information in their corporate reporting, such as specific financial information and governance considerations. When preparing their integrated report, organizations will be considering how and where to disclose the impacts of the pandemic and the uncertainties that lie ahead. The integrated report affords the organization the opportunity to share its thinking and decisions with stakeholders in this unprecedented time.

Using the *International <IR> Framework* in a time of crisis

The *International <IR> Framework* (<IR> Framework) is a useful tool for transparent reporting - even more so in a time of crisis. The <IR> Framework is a holistic framework covering six capitals (the organization's resources and relationships and interactions with broader society, economy and environment) and multiple time frames (the short-, medium- and long-term) with the concept of integrated thinking at its core. These aspects are relevant in reporting the impacts of the pandemic on the organization, its responses and outlook.

As a tool of transparency the integrated report should reflect balanced and complete reporting with equal prominence given to positive and negative information.

Where does pandemic-related information appear in the integrated report?

The pervasive impact of COVID-19 on most organizations means that pandemic-related information is likely to be material information to each of the Content Elements set out in the <IR> Framework.

The following is for illustrative purposes only and reflects how pandemic-related information might flow through the integrated report (the Content Elements are in bold type):

The pandemic's impacts on the industry and organization is described in **External environmen**t and shows the resulting connectivity to strategy, material matters, risks and opportunities etc. The **Business model** reflects the inputs (what's drawn from the six capitals) and the outcomes (effects on the six capitals) and the material changes in the year are highlighted along with changes in business activities. **Strategy and strategic resources allocation** highlights any changes to the strategic objectives, KPIs, targets and strategy implementation and discloses the organization's plans to access the strategic resources needed in future. **Risks and opportunities** highlights new, emerging and evolving risks with their mitigating actions and residual risk, as well as the arising opportunities and showing those taken up in the year. **Performance** discloses achievement against strategic objectives with discussion of the material variances. **Outlook** highlights the main uncertainties and challenges, and the possible new opportunities, in achieving the strategic objectives in the future (see below). **Governance** highlights the actions taken by the governing body and its plans ahead (see below).

The Guiding Principles[1] of the <IR> Framework assist in determining the nature of the information suitable for the integrated report as they underpin its preparation and presentation. Connectivity of information (between the various aspects covered by the Content Elements and financial and non-financial information) throughout the integrated report will be particularly important in explaining the

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[1] They are: Strategic focus and future orientation; Connectivity of information; Stakeholder relationships; Materiality; Conciseness; Reliability and completeness; and, Consistency and comparability (see the <IR> Framework for more information on the Guiding Principles)

pandemic's impacts on the organization's process through which value is created, preserved or eroded.

The disruption caused by the pandemic may have resulted in varied impacts on the organization: negative impacts might relate to the supply chain, liquidity, solvency, staff etc., while positive impacts might relate to tax breaks, increased digitalization, extended regulatory and tax filing periods, power grid refunds, higher precious metal prices etc. In disclosing the impact of costs, and if material, distinction might be made between unavoidable costs (e.g. higher costs from suppliers) and voluntary costs (e.g. contributions to COVID-19 relief funds).

Notwithstanding the above, can the pandemic also appear as a material matter in the integrated report?

Each organization follows its own materiality determination process, which includes consideration of the legitimate needs, interests and expectations of stakeholders, and this process is explained in the integrated report enabling users to assess its completeness and rigour. A material matter[2] is defined as one that can substantively affect the organization's ability to create, sustain and preserve value over the short-, medium- and long-term.

The pandemic will likely be included in the organization's material matters after having been identified in its materiality determination process as a matter that substantively affected the organization in the reporting year and with effects in the years ahead.

Stakeholder relationships information in the integrated report

The <IR> Framework calls for information on stakeholders: their legitimate needs, interests and expectations, how the organization is responding to those, and the quality of the relationships. Such information will include the pandemic-related impacts and show the connectivity to other information in the integrated report.

Can the Guiding Principle of Conciseness be met in the integrated report?

While organizations may be called on to disclose additional information at this time the <IR> Framework's Guiding Principle of Conciseness can still be met: material information is disclosed in the integrated report, with reference to where more detailed information is available (a supplementary report or the website). This is in keeping with the Octopus approach to reporting (see the IRC's *FAQ: The Octopus Model* https://integratedreportingsa.org/faq-the-octopus-model/). This approach can similarly apply to specific pandemic-related information that will be of interest to specific stakeholder groups.

Is additional information needed about the role and actions of the governing body?

The governing body's duty in reporting is that of accountability and understandability, which is the overarching principle.

The <IR> Framework requires that the governing body acknowledge its responsibility for the integrity of the integrated report and gives its opinion or conclusion about whether it is presented in

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[2] The disclosure of each material matter should be sufficient to afford users a clear understanding of the matter and what the organization is doing about it, and the possible implications (see the IIRC Paper on *Materiality in <IR>* https://integratedreporting.org/wp-content/uploads/2013/03/IR-Background-Paper-Materiality.pdf).

accordance with the <IR> Framework. Given the fast pace of change, it is suggested that this statement of responsibility carry a date of approval.

In addition to the information typically disclosed under the Governance Content Element (see the IRC's *Disclosure of Governance Information in the Integrated Report: An Information Paper* http://integratedreportingsa.org/ircsa/wp-content/uploads/2017/12/IRC-Governance-Information-Paper.pdf), material information may include the specific actions taken by the governing body in the reporting year and plans for the next and future years in relation to the pandemic.

Other information pertaining to the quality of governance and to demonstrate accountability might include: evidence of the governing body's agility, integrated thinking and decisive action to mitigate risks and maximise opportunities to safeguard the immediate and short-, medium- and long-term health of the organization; and, the regular assessment of capabilities to demonstrate the ability to navigate the digitized world and related cyber-threats.

It will be important for the governing body to comment on the adequacy of the strategic allocation plans and the quality of stakeholder relationships - both being critical information to users in assessing the organization's longer-term prospects.

What about the disclosure of Outlook?

The Outlook Content Element of the <IR> Framework specifically addresses the leadership's view of the main uncertainties and challenges in achieving the stated strategic objectives and targets in the years ahead. As such, there is disclosure of anticipated changes in the industry and external environment and the possible implications for the organization. The basis for such information and its robustness can be evidenced by lead indicators, sensitivity analyses of key determinants, stress tests, scenario planning, external information sources etc. The leadership's view of the possible implications and how the organization is positioned is best explained in specific rather than general terms.

As this information typically appears in various places of the integrated report (the Content Elements and reviews by the Chair, CEO and CFO etc), the organization could consolidate this information in a dedicated section entitled Outlook, with cross-references to where information appears elsewhere in the report. This can serve to enhance the readability for users (see the IRC's *Reporting on Outlook in the Integrated Report: An Information Paper* https://integratedreportingsa.org/reporting-on-outlook-in-the-integrated-report/).

Integrated thinking and Purpose

Organizations that have embedded integrated thinking have noted how it has assisted them in navigating these challenging times. Connectivity, which is the essence of integrated thinking, shows the inter-dependencies among the six capitals - the cause and effect relationships and the trade-offs being made.

In recent years the organization's purpose has come into focus with purpose in the 21st century being generally regarded as encompassing good for the organization, for society and the natural environment. The organization's purpose may be highlighted in this time of societal and environmental uncertainty. A clear purpose can assist organizations in determining the best way to respond and deliver during a crisis, taking inspiration directly from its stated reason for being.

Note: See the IRC's website page "Reporting in a time of crisis" for useful publications and links.

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