

Integrated Reporting Committee (IRC) of South Africa

14 March 2022

Update from the IRC following recent international corporate reporting developments

The year ahead will be another year of change in global corporate reporting as the Value Reporting Foundation (VRF) is consolidated into the IFRS Foundation and the new International Sustainability Standards Board (ISSB) releases its first exposure drafts and then its first IFRS Sustainability Disclosure Standards. The exposure drafts are due in Q2 and the standards in Q4 of this year. The end goal of all the changes we've seen in international corporate reporting since December 2020 is to get to a globally-accepted, high-quality, enforceable and comprehensive corporate reporting system.

To date, most of the changes have been directed at sustainability disclosure with the IFRS Foundation broadening its remit from financial disclosure to sustainability disclosures which address information on sustainability-related risks and opportunities to meet the needs of investors and capital markets. However, the importance of connectivity between financial and sustainability information is recognised and so expect further developments in this area. These are likely to come after the VRF's consolidation into the IFRS Foundation in June 2022 and that organisation's resulting custodianship of the *International <IR> Framework* and the Integrated Thinking Principles (the SASB standards will go into the ISSB).

The VRF has emphasised that the *International <IR> Framework* should continue to be used by the over 2 500 organisations around the world that currently use it and encourages its adoption by new users. For the medium term, the VRF encourages comments and input into the development of the IFRS Sustainability Disclosure Standards and the future evolution of the *International <IR> Framework*.

This international uncertainty is no doubt perplexing for preparers, however, the message is to continue using the *International <IR> Framework* for your integrated report, but to expect some changes in the future. These might entail a revised *International <IR> Framework* or new authoritative guidance for connected reporting.

Of high significance is that the IFRS Foundation has expressly stated that the new standards will set a 'global baseline' and that the standards will facilitate inter-operability with jurisdictional requirements to meet wider stakeholder information needs. This 'building blocks' approach allows for each country to adopt the standards/authoritative guidance and then to 'layer on' its own national reporting requirements (led by regulations, reporting practices and corporate governance codes, as well as industry-specific reporting requirements) while still meeting the information needs of international investors per the ISSB standards.

South Africa can similarly consider a 'layered' approach. Indeed, South Africa has always followed a local application of the *International <IR> Framework* in meeting the concepts, principles and recommended practices of the prevailing corporate governance code, King IV

(for instance, audience and the perspective of value creation, preservation or erosion as encompassing the organisation's effects on the six capitals over time).

The IRC's technical focus in 2022 will be two-fold: Firstly, developing comment submissions on exposure drafts/guidance papers that will shape the future of the integrated report and the *International <IR> Framework*. Secondly, developing topical FAQs to explain how new international standards and local sustainability guidance can fit with local integrated reporting and governance practices. Further, the IRC will continue to have South Africa's views heard through its participation and membership of various international bodies, including the <IR> Framework Board and the IIRC Council which are likely to continue in an advisory role to the IFRS Foundation.

In February 2022, the IRC submitted comments to the JSE on its draft Sustainability Disclosure Guidance. Our comment submission is available on our website [here](#)

We look forward to collaborating closely with the King Committee and the JSE in 2022 as South Africa crafts its way forward in meeting the international requirements coupled with local practices and requirements. South Africa is known for its advanced corporate reporting and corporate governance, and we should all strive to continue this respected position.

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If you would like to become an IRC member and support the IRC's work, please contact us. Our membership benefits for Corporate members (including IR consultancies that can join as an SME member) are available [here](#).