

12 December 2011

The Chairman  
International Integrated Reporting Committee

[dpresponses@theiirc.org](mailto:dpresponses@theiirc.org)

Dear Sir

### **Towards Integrated Reporting**

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness and is pleased to offer responses to the Consultation Questions.

**While the G100 welcomes the publication of the Discussion Paper we expected that it would contain a comprehensive discussion of the pros and cons of a broad range of issues rather than describing what would constitute an integrated report. The G100 considers that the process of corporate reporting is one of continuous improvement to enable directors and management to better communicate the company's performance and value adding activities to shareholders and other users in a cost-effective manner. Integrated reporting offers opportunities to continue this process.**

#### ***THE WORLD HAS CHANGED – REPORTING MUST TOO***

**Q1** *(a) Do you believe that action is needed to help improve how companies represent their value-creation process? Why/why not?*

**Yes. A perceived shortcoming of current practice and requirements is that an entity's value creation process is often not well explained to, and understood by shareholders and other users of reports. While many companies presently provide this information to users the development of a framework which focuses on strategy and performance will provide a consistent basis for doing so and result in improvements in corporate reporting.**

*(b) Do you agree that this action should be international in scope? Why/why not?*

**Yes. With the integration and interrelationships in the international market place action which is international in scope is the most efficient and effective way to address improvements in practice. An international framework will enhance consistently in approaches to reporting and enhance comparability between entities.**

**The G100 considers that the development of a new framework is likely to bring greater coherence to reporting because the perceived deficiencies in the current model can be addressed. However, in doing so it is important not to place excessive emphasis on meeting the asserted needs of vocal and influential lobby groups.**

The G100 believes that there are many attractive and useful elements of the current reporting model which need to be retained and that the inclusion of reporting on other dimensions such as sustainability risks etc should not drive the process of change.

#### **TOWARDS INTEGRATED REPORTING**

**Q2** *Do you agree with the definition of Integrated Reporting on page 6? Why/why not?*

**While the G100 agrees with the definition of integrated reporting and its objective it is important that there is balance in the reporting process and what it is expected to deliver. However, the discussion does not address whether an integrated report is additional to, or a replacement of, parts of the current reporting framework.**

#### **AN INTERNATIONAL INTEGRATED REPORTING FRAMEWORK**

**Q3** *Do you support the development of an International Integrated Reporting Framework? Why/why not?*

**Yes. As indicated in Q1(b) the G100 believes that an internationally developed framework will lead to consistency in approach and enhance comparability between entities which compete for financing in the international market place. However, a significant issue once a framework is developed is who is to take responsibility/ownership of the project to keep it abreast of current developments and practice and how that organisation liaises with the various international bodies and national jurisdictions in ensuring implementation and compliance.**

**Q4** *(a) Should the initial focus of Integrated Reporting be on corporate reporting, in particular reporting by larger companies and the needs of investors, or should the scope be wider? Why/why not?*

**Yes. The G100 believes that initially the focus should be on listed entities and those entities that raise finance in public markets and the needs of investors in those entities. If the framework is based on principles which operate at a high level it should also be readily adapted for use by other types of entities.**

*(b) What modifications, if any, would be needed for application to small and medium enterprises, the public sector and not-for-profit organisations?*

**See Q4(a).**

#### **BUSINESS MODEL AND VALUE CREATION**

**Q5** *Are:*

*(a) the organisation's business model; and*

*(b) its ability to create and sustain value in the short, medium and long term appropriate as central themes for the future direction of reporting? Why/why not?*

**While the G100 considers that these are appropriate themes for the future direction of reporting the importance of reporting on performance of the company in meetings its objectives should not be diminished. An understanding of the company's business model and its value creation process are important to shareholders and other users who are making decisions about the performance of the company.**

**Q6** *Do you find the concept of multiple capitals helpful in explaining how an organisation creates and sustains value? Why/why not?*

**The concept of multiple capitals may be useful in assisting preparers to identify the types and nature of items and their interrelationships when preparing a report. They are useful for guidance and should be regarded as such rather than being treated as the template/headings for reporting. Improvements in corporate reporting are described as a journey and companies embarking on integrated reporting should have the flexibility to adapt their reporting to their particular circumstances.**

### **GUIDING PRINCIPLES**

**Q7** *Do the Guiding Principles identified in the Discussion Paper provide a sound basis for the development of an Integrated Report – are they collectively appropriate: is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?*

**Yes. The G100 believes that the guiding principles, applied at a high level are appropriate. However, in applying the principles it is important to recognise the challenges posed by the potential disclosure of commercially prejudicial information.**

### **CONTENT ELEMENTS**

**Q8** *Do the Contents Elements identified in the Discussion Paper provide a sound basis for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?*

**Yes. However, as indicated above, issues relating to disclosing competitively sensitive information need to be addressed.**

### **WHAT WILL INTEGRATED REPORTING MEAN TO ME?**

**Q9** *From your perspective:*

*(a) Do you agree with the main benefits of Integrated Reporting as presented in the Discussion Paper? Why/why not?*

**Yes. The preparation of an integrated report will continue the process of improvements in corporate reporting.**

*(b) Do you agree with the main challenges and responses of Integrated Reporting as presented in the Discussion Paper? Why/why not?*

**The Discussion Paper identifies issues relating to directors' duties and liability and commercial confidentiality but does not discuss them in any depth. Resolution of these issues, which may also require regulatory and legislative change, will be central to the adoption of integrated reporting.**

*(c) Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)?*

**While integrated reporting may assist in the process of integrated analysis, analysts are likely to develop their own models and techniques in doing so.**

**FUTURE DIRECTION**

**Q10** (a) *Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?*

**The G100 considers it unusual to propose to issue an exposure draft in 2012 while at the same time having entities participating in a pilot program on the recommendations in the Discussion Paper.**

(b) *What priority should be afforded to each action? Why?*

**In view of the timetable and the potential need for regulatory and legislative change across jurisdictions, a high priority should be given to achieving agreement on these changes.**

**THE JOURNEY AHEAD**

**Q11** *Do you have any other comments that you would like the IIRC to consider?*

**The G100 considers that it is important for the IIRC to explain what it sees the integrated report as a replacement for some current reports and, if so, which ones or whether it is viewed as an addition report.**

**In addition, it would be useful for the IIRC to provide case studies based on the experience from the pilot program of how those companies managed the transition to integrated reporting, including the auditability of the information reported.**

Yours sincerely  
**Group of 100 Inc**

**Peter Meehan**  
Chief Executive Officer