

The IIRC welcomes comments on all aspects of the Discussion Paper from all stakeholders, whether to express agreement or to recommend changes. Your answers to the Consultation Questions, and any other comments you would like to make, should be submitted on this form (submitted electronically at end of document) or sent via email to dpresponses@theiirc.org.

For the purpose of analysis, you are asked to identify the organization to which you belong and where it is located. All comments received will be considered a matter of public record and will be posted on www.theiirc.org.

Comments should be submitted by Wednesday 14th December 2011.

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Type of Stakeholder (please tick one as appropriate)

- Academic Non-Governmental Organization
- Analyst Professional Body
- Assurance Provider Rating Agency
- Business Standard Setter
- Consultant Student
- Government Think Tank
- Inter-Governmental Agency Trade or Industry Association
- Investor Other, please specify below
- Labour Representative

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

The World has Changed – Reporting Must Too (page 5 of the Discussion Paper)

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

- In most instances when organizations report on sustainability, there is no attempt to link financial reporting and sustainability reporting. It appears that business operations and sustainability objectives are two separate issues with no link. There is no attempt to discuss whether and how sustainability efforts contribute to financial results. Such information gaps may hinder good decision making. Internally, such separateness may also limit a company's vision and policies. It is likely that a shift to integrated reporting will help companies consider how sustainability is embedded in the fabric of their business operations. A shift to integrated reporting will also require companies to consider how nonfinancial performance contributes to financial performance and vice versa.

Q1. (b) Do you agree that this action should be international in scope? Why/why not?

- Given the increasingly global marketplace, such an action will help achieve comparability of companies across countries.

Towards Integrated Reporting (page 6 of the Discussion Paper)

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

- I believe it will be useful to begin by specifying the objectives of integrated reporting, and then proceed to define who the users are, and to identify the information needs of these users. The Conceptual Framework for Financial Reporting issued by the IASB begins by articulating the objective of financial reporting and it then proceeds to discuss the users and their information needs. Similarly, the GRI Reporting Framework begins by articulating the purpose of a sustainability report. I believe a similar approach may be necessary before a good definition of Integrated Reporting can be achieved. The current definition, without discussing the objectives of integrated reporting, the users and their information needs, seems to be imposing on the readers the committee's own ideas of what integrated reporting is, and why it is helpful to investors and other stakeholders (which is a group neither defined nor discussed in the paper).
- In "Key points in this section" (p. 7), the third point states that "Integrated Reporting can reduce the reporting burden on organizations while improving investors', and other stakeholders', insight and understanding." As a reader of the discussion paper on integrated reporting as it is currently written, it is very hard to understand how integrated reporting can reduce the reporting burden on organizations.

An International Integrated Reporting Framework (page 8 of the Discussion Paper)

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

- Personally, I believe in the value of integrated reporting compared to the current financial reporting model. I believe the current financial reporting model should be critically studied to assess if it has in any way contributed to "short-termism" in the market, and if so, how the model can be improved so that necessary information to help the market with medium and long-term considerations will be adequately provided.
- An oft-repeated question in financial reporting is this: "Why do we care about financial reporting?" The answer that has been echoed in the business community is that "we care because capital is the engine of our economy and information is the oil that keeps the engine running smoothly." The framework needs to answer a similar question: "Why do we care about integrated reporting?"

Q4. (a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

- It is not clear what this means. Does that mean only the larger companies will be encouraged to do integrated reporting in the initial phase? Or does it mean that the focus of this framework is on larger companies, and a separate framework will be developed for the small and medium enterprises?

Q4. (b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

- I think so. I think concepts should be high-level enough that it should be applicable to all organizations. Implementation may however differ depending on the size and the type of organizations.

Business Model and Value Creation (page 11 of the Discussion Paper)

Q5. Are: (a) the organization'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?

- Should the focus of reporting be on "ability to create and sustain value" or should it be on the provision of information about its resources, performance and impact on economy, society and environment to enable assessment of ability?

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

- The concept of multiple capitals provides a more holistic picture of how an organization creates and sustains value. The six identified capitals are however not accounted for in the same way under the current financial reporting framework and financial reporting standards. It is not clear how financial reports will be reflected in the integrated report, but I believe the different accounting treatments of the various capitals should be considered when developing the integrated reporting framework.

Guiding Principles (page 12 of the Discussion Paper)

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

- A principle is defined as a comprehensive and fundamental law, doctrine or assumption. The current set of “Guiding Principles” and the explanations provided, appears to be operational – informing what should be in the integrated report, rather than providing an underlying principle for reporting.
- If the integrated report is to meet the needs of investors, it may be fair to assume that the qualitative characteristics of useful financial information as outlined in the current Conceptual Framework for Financial Reporting issued by the IASB should continue to underpin the information presented in an integrated report.

Content Elements (page 15 of the Discussion Paper)

Q8. Do the Content Elements identified in the Discussion Paper provide a sound foundation 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?

- I believe a key point is that the content elements should be presented in a manner that tells the story of the organization and explains how it is creating value. As pointed out on p. 14, the interconnections between the elements should be clear.
- The content elements identified in the Discussion Paper are to a large extent similar to the elements of the management commentary as identified in the IFRS Practice Statement on Management Commentary (Dec 2010). The former is definitely much broader as they incorporate the social and environmental context. As stated in the IFRS Practice Statement on Management Commentary, the management commentary provides a context to understand and interpret the financial statements, and it complements and supplements the financial statements. Under integrated reporting, will the integrated report play a similar role as the management commentary? What is the standing of financial statements under the integrated reporting framework? Will they be incorporated into the integrated report in a different form? Or will the integrated report continue to complement and supplement the financial statements?

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policymakers, regulators and standard-setters – page 23, Other perspectives – page 24 of the Discussion Paper)

Q9. (a) From your perspective: Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

- I agree with the main benefits as presented in the paper. I believe the benefits of integrated reporting lie in both
 - the reporting process: beneficial to the reporting organization which in turn benefits the investors, consumers, employees, etc., and
 - the report itself: a more informative report results in better resource allocation which benefits the economy and society as a whole.

Q9. (b) From your perspective: Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

- There are indeed many challenges to integrated reporting, and the discussion paper has captured these challenges well. I believe it is important to articulate clearly the place of financial statements in the integrated report. If the financial statements continue as they are, then it may not be critical to consider the framework and the reporting standards in financial reporting in the development of the integrated reporting framework. However, if the financial statements are to be integrated into the integrated report, then I think the framework for integrated reporting cannot ignore the framework and the reporting standards in financial reporting.
- Lack of sufficiently robust qualitative and quantitative information on the sustainability impacts of different decisions is likely to be a key challenge. In many instances, outcomes may not always be quantifiable in financial or non-financial terms. More work will be needed to determine how such information translates into monetary impacts and financial performance and how such information enters the valuation model. Also, many organizations may not have the necessary information systems to capture the required data.

Q9. (c) From your perspective: Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

- I agree that Integrated Reporting is likely to drive the disclosure of information for integrated analysis. An equally important development to drive the disclosure of such information is the development of valuation models that incorporate sustainability initiatives and outcomes, i.e., integrated analysis in firm valuation. In fact, if we understand these valuation models, we will have a better idea what information should be incorporated in an integrated report. Currently it is not clear how users interpret and apply the nonfinancial social and environment disclosures to their analysis and valuation of the firms.

Future Direction (page 25 of the Discussion Paper)

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?

Q10. (b) What priority should be afforded to each action? Why?

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

- It may be a good idea to discuss where the push for integrated reporting is coming from. Is it coming from the investors and stakeholders, in that they find the current state of financial reports and sustainability reports inadequate? Or is it coming from regulators and accounting professional bodies in recognition that the current financial reporting model is inadequate, and that the short-term focus of the reports leads to myopic decision-making and “short-termism” that hurts the firms, economy, society and environment in the mid and long-term?

Additional questions: These are NOT compulsory but will help with analysis if completed I have provided feedback that reflects:

- ✓ Personal interest/ professional interest
- Interest of an organization, please provide the name of the organization:

Which best describes your involvement with sustainability reporting?

Please tick all that apply.

- Reporter (prepare a report for my own organization)
- Consultant (report preparer on behalf of a third party)
- Assurance provider
- Report reader (read reports for the purpose of evaluating or analyzing organizations)
- ✓ Other, please specify: Academic (Accounting)

Please indicate how many years of experience you have with sustainability reporting:

- ✓ No experience
- Less than 1 year
- 1-5 years
- More than 5 years