

## Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)).

### Comments should be submitted by Monday 15<sup>th</sup>, July 2013.

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Stakeholder group:	<input type="text" value="Report preparers"/>

If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text" value="NKSJ Holdings"/>
Industry sector:	<input type="text" value="Financials"/>
Geographical region:	<input type="text" value="Asia"/>

### Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

<p>-The aim of this framework is to lead the change of mind set from short-termism to long-term integrated thinking, especially on the investor's side. Business sectors welcomes the shift to this long-term thinking. From this perspective, the message throughout the draft is too weak and not clear enough.</p> <p>-In this regard, the frame work should convey much stronger message to Report Prepares to provide concise information that is assessing the organization's ability focusing on creating value in the long term rather than short and medium term.</p> <p>-If the frame work is intended to be principle based, it should be promoted as a recommendation and not as a requirement.</p> <p>-Assurance of integrated reporting is impossible and not realistic. To raise reliability, methods should be diverse.</p> <p>-The frame work overall is abstract and difficult to understand to actually practice.</p> <p>-The frame work seems to be viewed more through the narrow lens of existing investors side with only focusing on the economic value.</p>
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## Chapter 1: Overview

### ***Principles-based requirements***

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

No additional Principles are needed to be added.  
But for the Japanese industry "Reporting Guidelines by Ministry of Environment Japan" should be included.

### ***Interaction with other reports and communications***

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. *Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?*

- The meaning of "continuously(1.18)" should be expressed more specifically.
- To continuously disclose information at any time with related relevant reports and communications will create a huge amount of preparation and is not functional to practice for any organization.
- I understand the intention of the "Consultation Draft of the International Framework" is to create more "Better" reporting and not "More" reporting. I suggest the frame work should not create a movement of a "3rd Report" which will follow the Annual and Sustainability Reports.

3. *If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?*

- Maybe the IIRC should refer to the already set measurement methods developed such as "CDP" and "DJSI" but strongly advise not to develop a duplicated content.

## **Other**

4. *Please provide any other comments you have about Chapter 1.*

• Data from the past will be able to disclose accurately but future data is difficult to predict and disclose under the set principles in the frame work.

## **Chapter 2: Fundamental concepts**

### ***The capitals (Section 2B)***

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. *Do you agree with this approach to the capitals? Why/why not?*

• The six capitals needs to be more specific with examples. It is difficult to grasp the difference between each capitals. For example, difference between "human capital" and "social relationship capital".

6. *Please provide any other comments you have about Section 2B?*

### ***Business model (Section 2C)***

A business model is defined as an organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).

7. *Do you agree with this definition? Why/why not?*

• Agree with short and medium term definitions, but disagree with definition of long term. Long term definition should be more specific so that reports can be comparable.

**Business model (Section 2C) continued**

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization’s business activities and outputs (paragraphs 2.35-2.36).

8. *Do you agree with this definition? Why/why not?*

9. *Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (see Section 4E)?*

**Other**

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

**Chapter 3: Guiding Principles**

**Materiality and conciseness (Section 3D)**

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

11. *Do you agree with this approach to materiality? If not, how would you change it?*

- No. Materiality should be set by organization. In other words, materiality is management it self and is very important for an organization to create an original business model.

12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

- The frame work should promote organization to integrate their reports as a voluntary based process to enhance each organization levels and also setting their original materiality.

**Reliability and completeness (Section 3E)**

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

13. How should the reliability of an integrated report be demonstrated?

- Future information including data is impossible to assure substantively.

14. Please provide any other comments you have about Section 3E.

**Other**

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.

- From the above comments, assurance is not useful for forward looking in the content of Value Creating stories.

## Chapter 4: Content Elements

16. Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).

## Chapter 5: Preparation and presentation

### ***Involvement of those charged with governance (Section 5D)***

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?

18. Please provide any other comments you have about involvement of those charged with governance (Section 5D).

**Credibility (Section 5E)**

The Framework provides reporting criteria against which organizations and assurance providers assess a report’s adherence (paragraph 5.21).

*19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?*

No. Assurance should not be obtained.  
The reasons follow as,  
• Comparability between organization will be difficult.  
• Do investors really need this kind of informations, including forward looking "Value Creating stories" .

*20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.*

**Other**

*21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).*

## Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

- All Guidelines are agreeable, reasonable and theoretical, but some expressions including charts are confusing to understand. It might be a good opportunity to re-write the draft with the view that it will be translated in multiple languages.
- The frame work needs to be more specific with examples to be easy understood.

## Development of <IR>

23. *If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?*

- Materiality is focused on future predictions and not focused on Risk Management. It is more important to manage business uncertainties and business resilience.

## Other

24. *Please provide any other comments not already addressed by your responses to Questions 1-23.*

- "Value Creation" is a very difficult expression. As for business including accountants, "Cash Flow" is much more appropriate and easy to understand.

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)