

# IIRC CONSULTATION DRAFT OF THE INTERNATIONAL <IR> FRAMEWORK

## RESPONSE GT TO QUESTIONS IIRC

The IIRC invites comments on all matters in this Consultation Draft, particularly in relation to the questions set out below. Comments are more helpful if they:

- a. address the question as stated;
- b. indicate the specific paragraph reference, to which the comments relate; and
- c. describe any alternative approaches IIRC should consider.

The IIRC will consider all comments, which will be received by 15 July 2013.

**It is the very strong preference of the IIRC to receive responses in the format specified at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013).** However, if feedback is provided in a different format, an editable version must be submitted.

### **Question 1 – 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).

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

#### **Response GT:**

We agree with the principle-based approach as set out in the Framework.

Furthermore we advice you to consider some additional required principles. We recommend you to consider these required principles to let organizations acknowledge that they “practice what they preach” in their integrated report.

We consider the following principles as requirements:

1. The integrated report should be a fair representation of the companies’ ‘integrated thinking’ attitude and behavior.
2. The organization has implemented mechanisms, reasonable considering the size of the organization, which support the statements made in the integrated report by the organization. These mechanisms could also be used for assuring reliable information within the integrated report.

These mechanisms are (as mentioned in non-requirement principles 2.7 and 2.10):

- a) Risk management: Continuously assessing the environment in order to detect events affecting the strategy of the organization;
- b) Performance measurement: management in line with the <IR> strategy and the <IR> performance indicators.

### **Question 2 – 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 (paragraph 1.18-1.20).

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

**Response GT:**

We prefer that one Integrated Report should be produced, instead of a stand-alone Integrated Report and all different types of other individual reports with limited to no connection. An Integrated Report should enable the reader to better understand the cause and affect relationships between, for example, financial and sustainability performance. This integrated report should fully integrate a company's financial and non-financial information (including environmental, social, governance and intangibles), because the integrated report gives context to (mainly) the financial figures.

In order to prevent that an information overload will exist between all different kinds of reports, we would like to emphasize that only material information should be included in this one Integrated Report, and that all clutter needs to be removed. We believe that the IIRC could play a very important role in this area.

As a technicality, and since transparency in reporting is an important instrument, it is necessary that the Integrated Report in which all information is included, is available on the internet. This information should be placed on the internet in a way in which the users of the Integrated Report are able to decide which information they want to read. The company should make this possible by splitting the information provided in the Integrated Report in blocks.

Furthermore we think that much of this information might move to an online environment. The internet, in addition, social media platforms, discussion forms, blogs etc are likely to lead to richer stakeholder engagement, including user generated content, elements, and suggestions.

**Question 3 – Interaction with other reports and communications**

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?

**Response GT:**

In our opinion other reporting standard setters and others should consider this question, instead of IIRC.

Furthermore we believe that the reported indicators primarily should fit the stakeholders' needs. As stakeholders' needs differ between sections and regions, we believe that the organization and/or stakeholder should look for comparable indicators themselves. (If comparability is a stakeholders' desire).

**Question 4 – Other**

Please provide any other comments you have about Chapter 1.

**Response GT:**

We believe that that the primary users of <IR> are not only the providers of financial capital, but it is a wider group of users. Therefore it should be up to the companies themselves to identify their primary audience and not the IIRC, as they can decide best which audience is their primary audience. Once this has been established the best way of communicating will follow.

We believe that listed companies differ from non-listed companies regarding complexity. Therefor we are in favor of creating a “light” version of the Framework for non-listed companies, in which the complexity is reduced.

Recognizing that integrated reporting still is in its infancy, and will evolve over time, we believe that flexibility in and timely review of the content of the <IR> Framework overall is desirable to facilitate companies’ communication.

### **Question 5 – The capitals**

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).

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

#### **Response GT:**

We agree with the definitions of the capitals identified and that the capitals are “stores of value”. The IIRC assumes that the primary users of <IR> are providers of financial capital. We disagree, as the primary audience per organization can differ. See also Q4.

### **Question 6 – The capitals**

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

#### **Response GT:**

We find figure 4 confusing, as this assumes a hierarchy between the capitals. In our opinion, and also as stated under figure 4, there should be no hierarchy in capitals, but they should be equal under <IR>.

Classification of capitals is in practice not always clear. In our opinion flexibility in defining capitals per organization is desired, as is mentioned in the Framework. Furthermore double counting of capitals should be avoided. Consequently we recommend that the providers are free to categorize capitals in their own manner, as long as they disclose and explain how they categorize their stores of value.

### **Question 7 – Business model**

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).

Do you agree with this definition? Why/ why not?

**Response GT:**

Yes, we agree.

**Question 8 – Business model**

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).

Do you agree with this definition? Why/ why not?

**Response GT:**

Yes, we agree.

**Question 9 – Business model**

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 (Section 4E)

**Response GT:**

No other comments.

**Question 10 – Other**

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

**Response GT:**

No other comments.

**Question 11 – 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).

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

**Response GT:**

Yes, we agree. However we recommend that more guidance in the Framework is provided regarding the determination of materiality.

**Question 12 – Materiality and conciseness (Section 3D)**

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

**Response GT:**

No other comments.

**Question 13 – 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).

How should the reliability of an integrated report be demonstrated?

**Response GT:**

We believe that a statement of compliance or adopting it in the governance code is preferred to demonstrate the reliability of an integrated report.

If a statement of compliance is used, the words “The integrated report is prepared in compliance with the Framework of IIRC” should be used.

**Question 14 – Reliability and completeness (Section 3E)**

Please provide any other comments you have about section 3E.

**Response GT:**

No comments.

**Question 15 – Other**

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

**Response GT:**

Paragraph 3.48 gives equal importance to consistency of time and to comparability. However because integrated reporting is new to organizations, we believe that at least in this stage consistency is more important than comparability with other reporting entities. Organizations do not have any comparable material yet. Within the evolution of integrated reporting, we think that comparability will develop by itself.

**Question 16 – Chapter 4: Content Elements**

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).

**Response GT:**

No other comments.

**Question 17 – 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>.

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

**Response GT:**

This is preferred, see also answer on question 13.

**Question 18 – Involvement of those charged with governance (Section 5D)**

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

**Response GT:**

No other comments.

**Question 19 – Credibility (Section 5E)**

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

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

**Response GT:**

In our opinion the IIRC should not provide guidance on assurance, since this is the role for other standard setters on auditing, or other assurance providers.

**Question 20 – Credibility (Section 5E)**

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.

**Response GT:**

See answer on question 19, this is no role for IIRC.

**Question 21 – Other**

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).

**Response GT:**

No other comments.

**Question 22 – Overall view**

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?

**Response GT:**

Several companies are already in the pilot phase of preparing an integrated report. Although we are not sure whether these reports are already in compliance with the proposed <IR> Framework, we recommend that these best practices are also taken into account when issuing the next version of an <IR> Framework, and to update the Framework periodically, so that a

workable <IR> Framework can come about. In this sense examples of best practices of integrated reporting would be a useful tool to illustrate the foreseen principles.

**Question 23 – Development of <IR>**

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?

**Response GT:**

We recommend explanatory material about aligning the organization with what is in the integrated report, such as:

1. Best practices for continuously assessing the environment for events influencing the organizations' strategy (risk management)
2. Best practices for performance measurement/management, in line with the corporates' strategy

**Question 24 – Other**

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

**Response GT:**

No other comments.