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PAGE 2: Multiple capitals

Q7: **Q1(a) What is your experience with the multiple capitals approach in integrated reports?**

While the six capitals approach potentially encompasses a wide range of companies' activities, extant research suggests that companies are only reporting on a subset of capitals. Therefore, if integrated reporting is to provide a holistic view of the capitals companies use or affect, there is a need to further ensure companies report on at least material capitals.

Q8: **Q1(b) What, if anything, should be done and by whom to improve this aspect of implementation?**

The materiality process for IR needs further development to ensure report preparers identify and disclose their material impacts on all six capitals. This should include the IIRC providing further guidance on materiality assessment, and future iterations of the IR framework requiring companies to disclose their materiality process, including engagement with both internal and external stakeholders.

PAGE 3: Connectivity and integrated thinking

Q9: Q2(a) What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?

Our research, with A/Prof Colin Higgins and A/Prof Wendy Stubbs, found that even companies with highly integrated reports could lack integration of reporting information into companies' decision-making processes. For example, in some companies with highly integrated reports, the integrated reporting function was 'siloed' in sustainability reporting, or was largely an arm of corporate communication.

Our case study research also found that where reporting committees exist, these committees were primarily co-ordinating the reporting function rather than driving integrated thinking throughout the organisation.

Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC, and accounting academics, should investigate more closely what concrete organisational mechanisms enable report preparers to incorporate integrated reporting information into decision-making processes. This might include identifying potential organisational structures and pathways (e.g. joint committees), or exemplars of integrated thinking that other companies might emulate. Further research into companies who have successfully used integrated reporting to transform their companies' practices towards 'integrated thinking' could facilitate this improvement.

Extant research shows that report preparers are unclear about what integrated thinking means (Feng, Cummings and Tweedie, 2017). Hence, the IIRC might also further clarify their definition of integrated thinking and how it is measured or assessed.

PAGE 4: Key stakeholders' legitimate needs and interests

Q11: Q3(a) What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed?

Recent research has raised significant concerns about the extent to which IR genuinely identifies and responds to stakeholders other than providers of financial capital.

At a minimum, addressing this well-founded concern requires that companies conduct a robust process of stakeholder engagement to identify stakeholders perceived needs and concerns. It also requires some process or criteria for distinguishing 'legitimate' and 'illegitimate' concerns.

Q12: Q3(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC should provide guidance on, or exemplars of, stakeholder engagement processes that would ensure that companies at least identify stakeholders' concerns.
The IIRC should also address, or further investigate, what process or principles companies should use to distinguish legitimate from illegitimate interests, so that judgements of 'legitimate' concerns are systematic and transparent.

The IIRC might also enhance user confidence by specifying certain changes in 'capital' that are always material. This might include, for example, violations of International labour or environmental Standards and adverse findings (e.g. environmental penalties or fines) in any of the six capitals against the report preparer.
If not requiring report preparers to use specific processes, future iterations of the <IR> framework should at least require companies to disclose what processes they used to engage with stakeholders and judge 'legitimate' concerns.

PAGE 5: Materiality and value creation

Q13: Q4(a) What is your experience with the Framework's definition of materiality, in particular: • Application of the value creation lens? • Use of different time periods to identify material matters?

Our analysis of existing reports, and interviews with report preparers, indicates that there is substantial variation in both what materiality processes report preparers are using and in the rigour of these processes. For example, current practices range from ad hoc consultation of employees to structured engagement with multiple external stakeholders using consultants or other third parties. Some companies also conduct materiality reviews on an ad hoc basis, rather than annually as part of the reporting cycle.

This lack of consistent, transparent and annual materiality processes is not only confusing for preparers, but also risks undermining report users' confidence in the capitals companies address and in whether the company is addressing stakeholders' legitimate interests and needs.

Q14: Q4(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC could issue clearer guidance on materiality processes for report users, including how the IR materiality process interacts with other (e.g. GRI) processes and desirable (annual) frequency. Future iterations of the IR framework should also require report users to disclose their materiality process.

PAGE 6: Conciseness

Q15: Q5(a) What is your experience with the conciseness of integrated reports?

Conciseness is an admirable objective if a concise report adequately addresses material issues. However, given the multiple and complex capitals IR requires report users to address, conciseness should not be enforced at the expense of companies' sufficiently addressing material capitals and impacts on stakeholders.

Q16: Q5(b) What, if anything, should be done and by whom to improve this aspect of implementation?

N/A

PAGE 7: Business model – outputs and outcomes

Q17: Q6(a) What is your experience with the reporting of business model information, particularly outputs and outcomes?

Extant research suggests that companies are making relatively little use of the IIRC's business model, and that report users are unclear about how to do so.

Q18: Q6(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC might provide clearer guidance on reporting business models. The IIRC's current guidance is based on one approach to business model reporting. Since there are many different approaches to reporting business models in prior research, future guidance might explore other formats companies could use to report their business model. This should include formats that better address companies' impacts on multiple capitals and stakeholders.

PAGE 8: Those charged with governance / Framework identification

Q19: Q7(a) What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

To date, relatively few companies providing integrated reports include a statement from those charged with governance indicated that the report has been prepared in accordance with the framework.

Since the framework is principles-based and already enables companies considerable discretion in what information they report, adding this statement is not likely to substantially increasing users' confidence in the report information as such.

However, the absence of this statement appears to be indicative of a broader lack of engagement of the board in integrated reporting processes. We see this underlying lack of engagement as more significant in undermining efforts to promote integrated reporting and thinking that genuinely addresses stakeholders' interests and needs.

Q20: Q7(b) What, if anything, should be done and by whom to improve these aspects of implementation?

The boards of reporting companies have responsibility to engage sufficiently in reporting processes to understand and endorse reports the companies issue. The IIRC might further target boards to emphasise this responsibility, and address actual or perceived barriers or concerns.

PAGE 9: Other Guiding Principles

Q21: Q8(a) What is your experience with the application of these remaining three Guiding Principles in integrated reports?

There is little evidence that integrated reports are currently comparable across reporting organisations, even within industries. This lack of comparability can significantly undermine the usefulness of this information to stakeholders.

Q22: Q8(b) What, if anything, should be done and by whom to improve these aspects of implementation?

The IR framework refers to reporting organisations using relevant industry benchmarks. The IIRC could develop a set of industry and capital reporting indices for report preparers to use to increase comparability.

PAGE 10: Other Content Elements

Q23: Q9(a) What is your experience with how these remaining Content Elements are reported in integrated reports?

Our research, with A/Prof Colin Higgins and A/Prof Wendy Stubbs, is that many companies are using the reporting framework in a partial or piecemeal manner, insofar as specific concepts or principles suit their internal strategic purposes.

This finding reinforces existing concerns that the IR framework will not function as an effective accountability mechanism.

Q24: Q9(b) What, if anything, should be done and by whom to improve these aspects of implementation?

The future roll out of the IR framework should review more closely whether reports claiming to be integrated meet at least the IIRC's minimum standards set out in the IR framework, especially if the IR framework gains legislative support of endorsement in new jurisdictions.

PAGE 11: Other quality issues

Q25: Q10(a) Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports?

One key finding of our research us that the quality of integrated reports is not a reliable indicator of the quality of 'integrated thinking', in the sense of management using reporting on multiple capitals to inform decision-making.

Q26: Q10(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC, and accounting researchers, need to be cautious in inferring the impact of integrated reporting from the quality or integrated of reports. If this ultimate goal of integrated reporting is to induce integrated thinking, then more research is required to identify measures of, and pathways for, the implementation of integrated thinking in companies.

PAGE 12: Other enablers, incentive and barriers

Q27: Q11(a) What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to: • Specific jurisdictions? • Large or small organizations? • Private, public or non-profit sectors? • Different stages of Framework implementation?

Our research has found that companies' adoption of IR is often being driven predominately by internal strategic imperatives, rather than by a perceived need or intent to adopt the IR framework.

Q28: Q11(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Although out of the IIRC's hands, prior research has argued that since the IR framework is more focused on companies' long-term impact, encouraging uptake is party linked to creating incentives that reward long-term decisions (e.g. carbon-pricing) (Tweedie and Martinov-Bennie, 2015).

However, at the organisational level, the IIRC might engage more closely with companies on the specific issues they are struggling to address (e.g. materiality).