

TOWARDS INTEGRATED REPORTING  
Communicating Value in the 21st Century



Summary of Responses to the  
September 2011 Discussion Paper  
and Next Steps

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MANAGEMENT COMMENTARY

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FINANCIAL STATEMENTS

SUSTAINABILITY REPORTING

# INTRODUCTION

In September 2011, the International Integrated Reporting Council<sup>1</sup> (IIRC) launched a Discussion Paper, *Towards Integrated Reporting – Communicating Value in the 21st Century*, soliciting feedback on a new approach to reporting – Integrated Reporting. The Discussion Paper considered the rationale behind the move towards Integrated Reporting, offered initial proposals for the development of an International Integrated Reporting Framework and outlined the possible next steps for its creation and adoption. Its purpose was to prompt input from all those with a stake in improved reporting, including producers and users of reports.

The comment period ended on 14 December 2011. In total, 214 responses were received from a wide range of stakeholder groups from a dispersion of geographic areas. Appendix A shows the number of respondents by stakeholder group and by country. Each of the responses has been posted to the IIRC website.<sup>2</sup>

The IIRC Secretariat analyzed the responses, including whether the respondents agreed, agreed with a qualification or disagreed with the various concepts included in the Discussion Paper, and looked for commonality of ideas, themes and concerns. This document provides a high-level summary of the responses received and, in some cases, provides a preliminary indication of the direction of thinking.

Figure 1 presents a reprint of the summary of the Discussion Paper to provide some context. The complete Discussion Paper is available on the IIRC's website.<sup>3</sup>

Specific questions were posed in the Discussion Paper. A summary of the responses and key points made in response to each of the questions is included in the section, *Headline Messages Emerging by Discussion Paper Question*.

A number of respondents did not directly answer the questions in the Discussion Paper but instead submitted a more general letter, some of which covered the topics included in the questions but not in a way that necessarily correlates to the questions on a one-for-one basis. A number of other respondents used the "key points" section of the response form or the introduction to their comment letter to reiterate points made in answer to specific questions, drawing attention to the points they considered most significant. A summary of the points considered to be the most significant, including four significant themes, is included in the *Key Points* section.

Lastly, the *Future Direction of the Framework* section of this document provides a high level summary of the IIRC Secretariat's plans based on the feedback received.

1 The International Integrated Reporting Council is an international cross-section of leaders from the corporate, investment, accounting, securities, regulatory, academic, civil society and standard-setting sectors. The IIRC was renamed the "Council" in November 2011.

2 [www.theiirc.org/the-integrated-reporting-discussion-paper/discussion-paper-submissions/](http://www.theiirc.org/the-integrated-reporting-discussion-paper/discussion-paper-submissions/)

3 [www.theiirc.org/the-integrated-reporting-discussion-paper/](http://www.theiirc.org/the-integrated-reporting-discussion-paper/)

# EXECUTIVE SUMMARY

The vast majority of the respondents to the International Integrated Reporting Council's September 2011 Discussion Paper on Integrated Reporting supported the development of an International Integrated Reporting Framework although a number of specific challenges were highlighted, as expected.

A total of 214 responses to the Discussion Paper from organizations and individuals in over 30 countries were received.

Four significant themes with respect to the development of the framework were identified from an analysis of the Discussion Paper responses; these related to:

- basic concepts underlying the definition of Integrated Reporting
- the target audience for Integrated Reporting
- from whose perspective "value" should be considered
- the timing of the release of the framework.

Work streams are being established on technical topics identified by respondents. This will lead to the publication of papers on those topics during 2012 and 2013.

Over 70 organizations from 22 countries and a variety of sectors are participating in the <IR> Pilot Programme, experimenting with Integrated Reporting and testing the concepts being developed through the IIRC's technical activities.

An <IR> Investors Network was launched in March 2012 to help ensure that reporting develops in a way that meets the needs of the investor community as the primary audience for Integrated Reporting.

**Figure 1**– Reprint of the Summary in the Discussion Paper

# SUMMARY OF THE DISCUSSION PAPER

The development of Integrated Reporting is designed to enhance and consolidate existing reporting practices . . . to move towards a reporting framework that provides the information needed to assess organizational value in the 21st century.

## What Is Integrated Reporting?

Integrated Reporting brings together material information about an organization's strategy, governance, performance and prospects in a way that reflects the commercial, social and environmental context within which it operates. It provides a clear and concise representation of how an organization demonstrates stewardship and how it creates and sustains value.

An Integrated Report should be an organization's primary reporting vehicle.

## Why Do We Need Integrated Reporting?

Since the current business reporting model was designed, there have been major changes in the way business is conducted, how business creates value and the context in which business operates. These changes are interdependent and reflect trends such as:

- globalization,
- growing policy activity around the world in response to financial, governance and other crises,
- heightened expectations of corporate transparency and accountability,
- actual and prospective resource scarcity,
- population growth, and
- environmental concerns.

Against this background, the type of information that is needed to assess the past and current performance of organizations and their future resilience is much wider than is provided for by the existing business reporting model. While there has been an increase in the information provided, key disclosure gaps remain.

Reports are already long and are getting longer. But, because reporting has evolved in separate, disconnected strands, critical interdependencies between strategy, governance, operations and financial and non-financial performance are not made clear. To provide for the growing

demand for a broad information set from markets, regulators and civil society, a framework is needed that can support the future development of reporting, reflecting this growing complexity. Such a framework needs to bring together the diverse but currently disconnected strands of reporting into a coherent, integrated whole, and demonstrate an organization's ability to create value now and in the future.

## International differences in reporting

Reporting requirements have evolved separately, and differently, in various jurisdictions. This has significantly increased the compliance burden for the growing number of organizations that report in more than one jurisdiction and makes it difficult to compare the performance of organizations across jurisdictions.

## The benefits of Integrated Reporting

Research has shown that reporting influences behaviour. Integrated Reporting results in a broader explanation of performance than traditional reporting. It makes visible an organization's use of and dependence on different resources and relationships or "capitals" (financial, manufactured, human, intellectual, natural and social), and the organization's access to and impact on them. Reporting this information is critical to:

- a meaningful assessment of the long-term viability of the organization's business model and strategy;
- meeting the information needs of investors and other stakeholders; and
- ultimately, the effective allocation of scarce resources.

## An International Framework

The IIRC is developing an International Integrated Reporting Framework that will facilitate the development of reporting over the coming decades. The core objective of the Framework is to guide organizations on communicating the broad set of information needed by investors and other stakeholders to assess the organization's long-term prospects

in a clear, concise, connected and comparable format. This will enable those organizations, their investors and others to make better short- and long-term decisions.

The initial focus is on reporting by larger companies and on the needs of their investors. The Framework will help to elicit consistent reporting by organizations, provide broad parameters for policy-makers and regulators and provide a focus for harmonizing reporting standards.

## The building blocks

Five Guiding Principles underpin the preparation of an Integrated Report.

- Strategic focus
- Connectivity of information
- Future orientation
- Responsiveness and stakeholder inclusiveness
- Conciseness, reliability and materiality

These Principles should be used in determining the content of an Integrated Report, based on the key Content Elements summarized below. The presentation of the Elements should make the interconnections between them apparent.

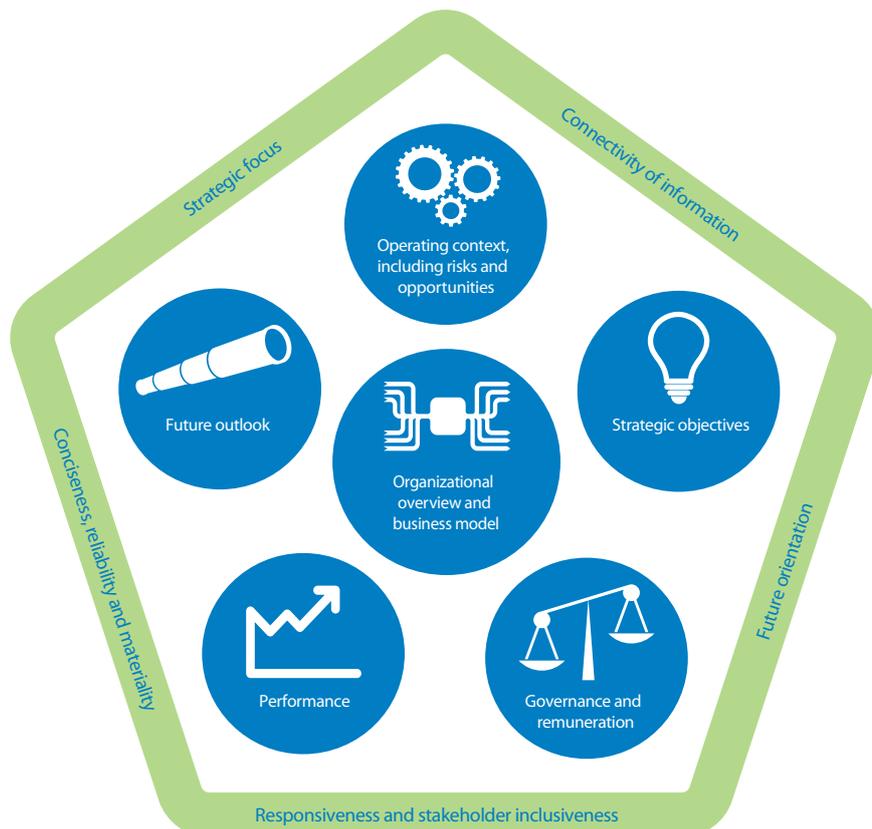
- Organizational overview and business model
- Operating context, including risks and opportunities
- Strategic objectives and strategies to achieve those objectives
- Governance and remuneration

- Performance
- Future outlook

## Future Direction

The development of Integrated Reporting is designed to enhance and consolidate existing reporting practices and, through collaboration, consultation and experimentation, to move towards a reporting framework that provides the information needed to assess organizational value in the 21st century. The next steps that the IIRC will take in this direction are listed below.

- Undertake a Pilot Programme to encourage experimentation and innovation among companies and investors.
- Develop an International Integrated Reporting Framework Exposure Draft, reflecting responses received to this Discussion Paper and the experience gained from the first year of the Pilot Programme.
- Work with others to support the development of emerging measurement and reporting practices relevant to Integrated Reporting.
- Raise awareness among investors and other stakeholders and encourage organizations to adopt and contribute to the evolution of Integrated Reporting.
- Explore opportunities for harmonizing reporting requirements within and across jurisdictions.
- Develop institutional arrangements for the ongoing governance of Integrated Reporting.



# KEY POINTS

The vast majority of respondents supported the development of the International Integrated Reporting Framework<sup>4</sup> although, as would be expected, a number of specific challenges were highlighted. Many shared their thoughts on how to develop the framework.

This section summarizes the key points made by the respondents. The section, *Headline Messages Emerging by Discussion Paper Question*, provides a summary of the responses to specific questions.

Four significant themes on the development of the International Integrated Reporting Framework were identified from an analysis of the Discussion Paper responses; these relate to:

- basic concepts underlying the definition of Integrated Reporting
- the target audience for Integrated Reporting
- from whose perspective “value” should be considered
- the timing of the release of the International Integrated Reporting Framework.

## Basic Concepts Underlying the Definition of Integrated Reporting

It was apparent from the responses that there is a diversity of views, and even a degree of confusion, about the definition of Integrated Reporting; about what Integrated Reporting is, or is intended to become; and how Integrated Reporting should relate to existing reporting strands (e.g. financial, management commentary, governance and remuneration, and sustainability reporting). Some respondents also questioned whether the work of the IIRC should relate to the broader concept of how integrated thinking is embedded in an organization and how this affects all facets of reporting, rather than focusing only on the features of a single integrated report.

Action Points: These issues will be further explored and the definition of Integrated Reporting will be refined as the IIRC develops the draft framework.

## Target Audience for Integrated Reporting

Question 4(a) of the Discussion Paper asked “Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors?” A large number of respondents focused their responses on the larger company aspect of this question (mostly agreeing with the large company approach) and did not address the investor aspect. There was also some concern around what was meant by “initially”. As a result, of the 51% who responded, 65% agreed

and 35% disagreed that investors should be the initial focus.

While the primary audience of an Integrated Report is investors, it is clear that investors are not the only audience. The ultimate objectives of other stakeholders are unlikely to be served by corporate reporting that does not allow investors to make better-informed investment decisions.

Action points: Given the nature of the responses, research will be undertaken on the commonality and differences between the information needs of investors (which include various types of investors with divergent needs) and those of other stakeholders.

## From Whose Perspective Should “Value” Be Considered?

The Discussion Paper emphasizes the importance of an organization’s “ability to create and sustain value in the short-, medium- and long-term”, identifying it as one of two central themes for the future direction of reporting – the other being the organization’s business model. A key question arising from respondents, however, was “value to whom?” with several possibilities identified – value to the organization, to investors, to other stakeholders, or to society at large.

Action points: Further research will be conducted to address that question, considering matters including the following:

- Views expressed that an organization is held accountable by both investors and other stakeholders, and the organization will not be able to create value for investors without a good understanding of what its other stakeholders value.
- The concept of value will be affected by how the “capitals” referred to in the Discussion Paper are dealt with, including how they are defined and whether, and if so how, each capital is measured.
- Views expressed that cultural differences exist in the definition of value.

## Timing of Release of the International Integrated Reporting Framework

The Discussion Paper suggested that a draft framework would be published for comment in 2012. A number of respondents challenged this timing, arguing that it would not allow adequate time to incorporate the results of the <IR> Pilot Programme. A few respondents took the opposite position, challenging whether the <IR> Pilot Programme participants could effectively “pilot test” the concepts of Integrated Reporting without a draft framework.

4 It is recognized that given that the nature and objective of the Discussion Paper was to stimulate discussion on Integrated Reporting and that the proposal to develop the framework is voluntary in nature, those with contrary views may have been less inclined to respond than those with favorable views.

Other respondents noted the need for the IIRC to perform further conceptual work and encouraged the IIRC to take the time necessary to ensure the development of a high quality framework.

Action points: The IIRC Working Group has acknowledged the validity of these concerns and, accordingly, the Secretariat's development plans now include publishing of papers on various technical topics during 2012 and 2013, prior to seeking comment on a complete draft framework (now planned for 2013). The publication of papers will allow for the continuous involvement of stakeholders in a transparent evolution of the IIRC's thinking and for the timely testing of ideas by <IR> Pilot Programme participants and other reporters.

## Other Key Points

**Research and collaboration** – Respondents expressed views that the IIRC should:

- consider existing initiatives of, or research performed by, other organizations identified by such respondents
- perform additional research on a variety of topics to ensure that the framework is soundly based
- collaborate with other organizations involved in complementary activities to ensure consistency and avoid duplication.

**Content of the framework** – Quite a few respondents noted the need to stay at the principles level, at least initially in drafting the framework. Others, however, expressed an expectation that the IIRC would publish detailed standards and guidance, including key performance indicators, perhaps on a sector basis. Technical challenges were expressed regarding issues such as the following:

- *Materiality* – Many identified materiality as being a crucial area for which further guidance is necessary
- *Forward-looking statements* – Comments were predominantly in terms of the risks to and legal liability of reporters, and the perceived need for safe harbours in this area
- *Comparability* – While some noted the need for the framework to ensure comparability of reports, others questioned the practicality of achieving a high level of comparability

## Evidence of the benefits of Integrated Reporting

**and report examples** – A number of respondents saw a need for the IIRC to publish further evidence of the benefits of Integrated Reporting, as well as examples of good practice demonstrating aspects of Integrated Reporting.

**Relationship to other forms of reporting** – Many respondents were unsure of the relationship of Integrated Reporting to other forms of reporting. Some respondents provided interpretations of what they think Integrated Reporting is or is not, including the misperception that Integrated Reporting is the evolution of sustainability reporting or of financial reporting. About an equal number of respondents noted the importance they attach to:

- an expectation that Integrated Reporting will need to reduce the overall burden on reporters by reducing other forms of reporting
- the need to retain other forms of reporting, particularly sustainability reporting or financial reporting, to ensure adequate information is disclosed.

Accordingly, further clarity will be necessary in this area.

**Role of regulation in Integrated Reporting** – Several respondents supported a voluntary approach to Integrated Reporting for its flexibility. Other respondents expressed the view that regulatory support, particularly the harmonization of existing reporting requirements, would give impetus to Integrated Reporting.

**Assurance** – The importance of assurance was noted with respect to the reliability of information and many respondents recommended that assurance issues be considered simultaneously with the development of the International Integrated Reporting Framework; conversely, a few respondents expressed views that they did not support a requirement for any form of assurance.

**Governance of the IIRC** – A few respondents commented on the importance of governance of the IIRC itself. Some respondents provided views on the need for balanced representation of stakeholders within the IIRC structure, indicating that some recalibration may be necessary. The IIRC is in the process of analysing its governance structure.

Action point: The above key points will be considered as the Framework is developed.

# HEADLINE MESSAGES EMERGING BY DISCUSSION PAPER QUESTION

This section contains the headline messages emerging from the responses by each Discussion Paper question. Appendix B contains statistics on the number and percentage of respondents who answered each question and whether they agreed, agreed with a qualification or disagreed (except for Questions 6 and 7, which could not be effectively captured in this manner).

## The World Has Changed – Reporting Must Too

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

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

Nearly all respondents who answered this question agreed, or agreed with a qualification, that action is necessary and that it should be international in scope. Key challenges include addressing views that:

- the case for Integrated Reporting is not yet proven for some organizations
- more clarity is needed around objectives, target audience, “value” and “value creation”, reporting externalities, and relationship with other reporting regimes
- country differences need to be taken into account and flexibility afforded to how Integrated Reporting would be applied in a specific country
- Integrated Reporting may allow opportunity for “spin”.

## Towards Integrated Reporting

**Q2. Do you agree with the definition of Integrated Reporting included in the Discussion Paper? Why/why not?**

There was overall agreement with the definition in general terms amongst those who answered this question. A number of key challenges were identified, however, which include:

- distinguishing the process (integrated thinking and Integrated Reporting) from the product of an Integrated Report; some respondents stated that the IIRC should focus on embedding integrated thinking practices in organizations rather than focusing on the report, as they believed that genuine Integrated Reporting can only flow naturally from integrated thinking

- defining materiality, stewardship and value creation, which are fundamental but have not yet been defined in the context of Integrated Reporting
- addressing reservations about whether an Integrated Report should be the primary report as described in the Discussion Paper. The overall tone of respondents’ comments in this area was that a single report would be unlikely to meet the needs of all stakeholders and that other forms of reporting would need to continue. Many believe that existing reporting structures serves a particular purpose for its intended audiences and suggested that the IIRC should co-ordinate efforts with organizations that govern existing reporting.

## An International Integrated Reporting Framework

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

The vast majority of respondents supported the development of an International Integrated Reporting Framework, with only three respondents specifically opposing its development. Many respondents identified practical issues and provided recommendations on the framework’s development, including around the following themes:

- *External actions required* – The ultimate success of Integrated Reporting depends on factors beyond the IIRC’s control; the IIRC needs to create a vision of how Integrated Reporting will impact on existing reporting (in consultation with reporting entities, standard-setters and other stakeholders) as well as avoiding the creation of any new expectation gaps.
- *Use of the <IR> Pilot Programme* – <IR> Pilot Programme experiences need to be considered when developing the framework.
- *Objectives of reporting* – Respondents thought that the framework should more clearly define Integrated Reporting, its purpose and the users of the Integrated Report, and consider the form that an Integrated Report might take; and that it was important to ensure that the preparation of an Integrated Report does not become an objective in itself.

- *Approach to development* – Respondents thought that it would take longer to develop a draft framework than initially described in the Discussion Paper and cautioned the IIRC against trying to move too quickly. Recommendations were made to stage the development process, aiming to complement and not replace financial reporting<sup>5</sup>, and to develop guidelines and best practices in addition to the framework.
- *Framework* – Respondents comments can be categorized in terms of:
  - » *Flexibility* – A number of respondents favoured a flexible framework; one that is voluntary, not too prescriptive but provides balanced guidance and the ability to adapt to different jurisdictions.
  - » *Principle-based* – Many thought that the framework should be principle-based and that it should be scalable for different types of organizations and cultural and sectoral differences. Some respondents favoured comprehensive or detailed guidelines and some thought sector-specific standards should be created.
- *Application* – Views expressed were mixed as to whether Integrated Reporting should be mandatory or voluntary. Some noted the need for regulatory support of one kind or another, while others supported the flexibility of a voluntary approach and voiced concerns that the IIRC should not advocate embedding Integrated Reporting into legislation.

**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?**

The majority of respondents supported the initial focus on large companies, but nearly 50% did not directly respond to the question as to whether the needs of investors should be the focus of Integrated Reporting. As a result, the 51% of respondents who directly responded was split, between 33% who supported investors as the initial focus, and 18% who disagreed that investors should be the initial focus.

Respondents also provided a number of concerns about the population of investors and their needs, including:

- lack of a definition of “investors” in the Discussion Paper
- considerable diversity within the investor community
- considerable variation in investor needs in light of the above.

**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?**

While most respondents agreed that Integrated Reporting can apply to small and medium enterprises (SMEs), the public sector and not-for-profit organizations, many thought that it would not necessarily apply “equally” to all sizes and types

5 It was not the intent of the IIRC that Integrated Reports would replace financial statements

of organizations. Various practical challenges were identified and a number of respondents suggested that the application of Integrated Reporting for these types of organizations may need to be tailored for an organization’s scale, audience and level of available resources.

The various concerns raised included a number of divergent views:

- Integrated Reporting for these organizations may be more difficult, with costs outweighing potential benefits, due to:
  - » insufficient data to prepare such a report
  - » lack of staff to obtain, analyse and prepare information
  - » an additional administrative burden.
- Investor focus is not considered to be a very helpful model for SMEs, public sector bodies, and not-for-profit organizations, as they usually do not have investors.
- Certain of the features of Integrated Reporting identified in the Discussion Paper (e.g. integrated thinking, stewardship, and technology-enabled) may be more or less critical in different types and sizes of organizations.

The reasons provided by those who disagreed with the application of Integrated Reporting to SMEs and other types of organizations included:

- integrated management and value assessment do not work in the same way in the public and private sectors
- fundamental differences in reporting exist between large companies and SMEs (including intended users, responsibility and liability of persons in charge of reporting, and resources available) that would inhibit the application of an Integrated Reporting framework
- the public and not-for-profit sectors have additional considerations that are not directly concerned with creating financial value and would need a separate set of measures.

## Business Model and Value Creation

**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?**

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

The majority of the respondents supported the central importance of the business model and of creating and sustaining value, and found the capitals model described in the Discussion Paper helpful. Some respondents identified other central themes for the future direction of reporting that they considered should supplement or, in some cases, replace the “business model” or “value creation”, including: “impacts” ([net] positive financial impact, [net] positive social impact, etc.); “performance” (in particular past [financial] performance); “stewardship”; “accountability”; “risks and rewards”; “strategy”; “adaptability”; and “materiality.”

The reasons given for qualified agreement or disagreement in response to Question 5 included:

- business model
  - » lack of an agreed definition of “business model”
  - » impracticality; too theoretical and in a constant state of flux
  - » potential for loss of competitive advantage
  - » lack of linkage to the capital model and other management models.
- value creation
  - » lack of clarity on value to whom and the reporting boundaries involved
  - » ability to measure and monetize.

A number of the above concerns also were raised with respect to the concept of the capitals, particularly the ability to measure and monetize the capitals. Many respondents supported the general concepts, but questioned the categorization and associated definitions of the various capitals used in the Discussion Paper. A number of respondents questioned how the capitals concept would actually be used in reporting.

## Guiding Principles and Content Elements

**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?**

There was general support for the five Guiding Principles included in the Discussion Paper, and many identified materiality as a crucial principle for which further guidance is necessary. In addition, many respondents proposed modifying or adding to the Guiding Principles. A number of respondents noted similarities between the two principles, “strategic focus” and “future orientation”, and therefore suggested combining them. Others proposed that conflicts and trade-offs should also be specifically addressed, such as between “conciseness” and more comprehensive information, and between “strategic focus” and competitive advantage.

Additional principles suggested by respondents include: accountability, balance, comparability, completeness, consistency, costs and benefits, credibility, effective communication, faithful representation, measurability, neutrality, relevance, responsibility, scope and boundary, timeliness, and verifiability or auditability.

Those who disagreed with the Guiding Principles stated their belief that the principles did not provide a sound foundation or were not particularly useful.

**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?**

The majority of respondents agreed, or agreed with qualification about particular Content Elements. Some respondents proposed combining the two Content Elements, “strategic objectives and strategies” and “future outlook” because they both deal with the question of “where an organization wants to go and how it is going to get there.”

While a number of respondents proposed additional content elements, there was little commonality regarding the additional elements proposed, which include: a policy statement on relevant sustainability public policy issues, leadership culture, supply chain management promoting responsible business behavior, innovation capacity, influence within the organization to connect governance and performance, corporate tax contribution, as well as the scope and level of uncertainty of reported information.

Concerns were raised about the extent of forward-looking information to be reported, based on the amount of emphasis placed on such information in the Discussion Paper, which led to concerns from a liability perspective and over the potential loss of competitive advantage with respect to the disclosures related to strategies.

Respondents who disagreed with the Content Elements thought that they were not clear enough, and pointed out some overlaps and mismatches between the Content Elements and the Guiding Principles, particularly with respect to the Content Element, “future outlook,” and the Guiding Principle, “future orientation.”

## What Will Integrated Reporting Mean for Me?

**Q9. From your perspective:**

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

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

**(c) 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?**

There was a high level of support for the benefits and challenges listed in the Discussion Paper, although there was some concern that evidence had not been presented to substantiate the benefits, or that an idealistic or overly ambitious view of them had been presented.

From the identified challenges, the respondents’ main concerns were: overcoming regulatory challenges, developing suitable assurance techniques, building capacity within the entire reporting system, and addressing director liability issues.

Investor feedback on Question 9(c), although relatively limited, was generally supportive; however, some reporters who commented on this question thought that the IIRC may have over-estimated investor demand and noted, among other things, that success would depend on widespread acceptance which, in turn, would rely on strong regulatory demand.

## 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?**

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

Respondents who commented on this question mainly agreed with the planned actions outlined in the Discussion Paper. The action given the highest priority was the <IR> Pilot Programme. The next highest priorities were:

- developing the International Integrated Reporting Framework, although caution was advised in this work progressing too far in advance of the <IR> Pilot Programme
- exploring opportunities for harmonizing reporting requirements with national, regional and global policy-makers, regulators and standard-setters.

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

Many used their response to Question 11 to emphasize points made in response to earlier questions. Other topics that drew the most repeated comments included:

- the need for further guidance on assurance
- the need to consider the impact of technology and, in particular, XBRL
- the need to provide practical guidance and examples
- whether Integrated Reporting should be mandatory or voluntary.

In addition, a range of comments on expectations and success factors were pointed out by various respondents.

# FUTURE DIRECTION OF THE FRAMEWORK

The feedback received will be considered together with the various issues identified by respondents in the development of the International Integrated Reporting Framework and related activities by the IIRC.

## Framework Roadmap

A Technical Task Force has been established to assist with the development of the International Integrated Reporting Framework. Work streams on technical topics are being established, including materiality, users and their information needs, the capitals, the concepts of value, the business model, and connectivity. These work streams will continue to analyse the feedback received from the Discussion Paper responses, consider initiatives of other organizations, perform additional research, and interact with the <IR> Pilot Programme and Investor Network participants in the preparation of papers on those technical topics, which will be released in 2012 and 2013, prior to seeking comment on a complete draft framework (now planned for 2013).

In addition, the IIRC will consult widely with stakeholders in a range of jurisdictions through meetings, roundtables and conferences.

## <IR> Pilot Programme

Over 70 organizations from 22 countries and a variety of sectors are part of the <IR> Pilot Programme that will be experimenting with Integrated Reporting and testing the concepts being developed through the suggested technical activities. Appendix C depicts the sector representation of the <IR> Pilot Programme participants.<sup>6</sup>

As part of the <IR> Pilot Programme, members of the investor community have been invited to join the <IR> Investor Network to help ensure that reporting develops in a way that meets their needs as the primary audience of Integrated Reporting. The <IR> Pilot Programme's Investor Network was launched in March 2012. It comprises over 20 global institutional investors from 11 countries with the specific objectives of:

- providing investors' perspectives on the shortfalls in current corporate reporting, information and format needs
- providing constructive challenge, feedback, and guidance on the innovations and proposals emerging from <IR> Pilot Programme participants and the IIRC's technical activities as the International Integrated Reporting Framework is developed and tested.

<sup>6</sup> A complete listing of <IR> Pilot Programme participants can be viewed at: [www.theiirc.org/about/pilot-programme/](http://www.theiirc.org/about/pilot-programme/)

# APPENDIX A: TABULATION OF DISCUSSION PAPER RESPONDENTS

## By Stakeholder Group:

36	Reporters
31	Accounting bodies
25	Professional services (other than accounting)
25	Coalitions/Professional groups
22	NGOs/NFPs
19	Investors/Investor groups
12	Academics
11	Government agencies
10	Standard setters
10	Individuals
9	Professional services – Accounting
2	Intergovernmental agencies
2	Stock exchanges

## By Country:<sup>7</sup>

45	UK
26	USA
16	Australia
15	Germany
12	Global
11	Italy
10	each of: South Africa and Spain
7	Canada
6	each of: Brazil, China (including HK), and India
5	each of: France and The Netherlands
4	each of: Sweden and Switzerland
3	each of: Malaysia, New Zealand, and Russia
2	each of: Belgium, Denmark, Japan, and Singapore
1	each of: Austria, Finland, Granada, Israel, Korea, Mexico, Norway, Sri Lanka, and Tanzania

<sup>7</sup> The significant number of UK respondents reflects the fact that the global project originated in the UK and, accordingly, the awareness of it was perhaps greater in 2011 for UK organizations.

# APPENDIX B: RESPONDENT STATISTICS BY DISCUSSION PAPER QUESTION

## The World Has Changed – Reporting Must Too

	Agree	Agree with qualification	Disagree	Other
Q1. (a) Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/Why not?	68% (146)	11% (23)	2% (5)	19% (41)
	79% (169)			
Q1. (b) Do you agree that this action should be international in scope?	69% (147)	9% (19)	1% (2)	21% (46)
	78% (166)			

## Towards Integrated Reporting

	Agree	Agree with qualification	Disagree	Other
Q2. Do you agree with the definition of Integrated Reporting included in the Discussion Paper? Why/why not?	25% (53)	44% (94)	8% (18)	23% (49)
	69% (147)			

## An International Integrated Reporting Framework

	Agree	Agree with qualification	Disagree	Other	
Q3. Do you support the development of an International Integrated Reporting Framework? Why/why not?	53% (113)	27% (58)	1% (3)	19% (40)	
	80% (171)				
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?*	Larger companies*	50% (107)	6% (14)	18% (38)	26% (55)
		56% (121)			
	Investors*	30% (64)	3% (7)	18% (38)	49% (105)
		33% (71)			
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?	56% (120)	16% (35)	5% (10)	23% (49)	
	72% (155)				

\* While many responded to Question 4(a), they often only responded in relation to either large companies or investors; accordingly, specific feedback was skewed to that aspect of the question. As a result, a higher percentage is included in “other” for both large companies and investors”.

## Business Model and Value Creation

		Agree	Agree with qualification	Disagree	Other
Q5. Are the following appropriate as central themes for the future direction of reporting? Why/why not?	(a) the organization's business model?	69% (148)	4% (8)	3% (7)	24% (51)
		73% (156)			
	(b) its ability to create and sustain value in the short-, medium- and long-term	71% (152)	2% (4)	2% (4)	25% (54)
		73% (156)			
Q6. Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?		70% (149)	6% (13)	2% (5)	22% (47)
		76% (162)			

## Guiding Principles and Content Elements

The responses to Questions 7 and 8 on the Guiding Principles and Content Elements were not quantified given the multiple components to each and the nature of the responses, which made it difficult to quantify in a meaningful way.

## What Will Integrated Reporting Mean for Me?

		Agree	Agree with qualification	Disagree	Other
Q9. (a) Do you agree with the main benefits as presented in the Discussion Paper?		30% (64)	46% (98)	3% (7)	21% (45)
		76% (162)			
Q9. (b) Do you agree with the main challenges as presented in the Discussion Paper?		39% (83)	32% (68)	2% (5)	27% (58)
		71% (151)			
Q9. (c) Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis?*	Investors (N = 11)	46% (5)	36% (4)	0% (0)	18% (2)
		82% (9)			
	Reporters (N = 24)	25% (6)	63% (15)	8% (2)	4% (1)
		88% (21)			

\* Question 9(c) was intended for investors to provide their perspective; however, a number of reporters also offered their views as to how they thought investors would respond.

## Future Direction

Of the 214 respondents, 54 respondents did not provide an answer to this question while 11 agreed with the suggested activities listed in the "Future Direction" section of the Discussion Paper without making any particular comment.

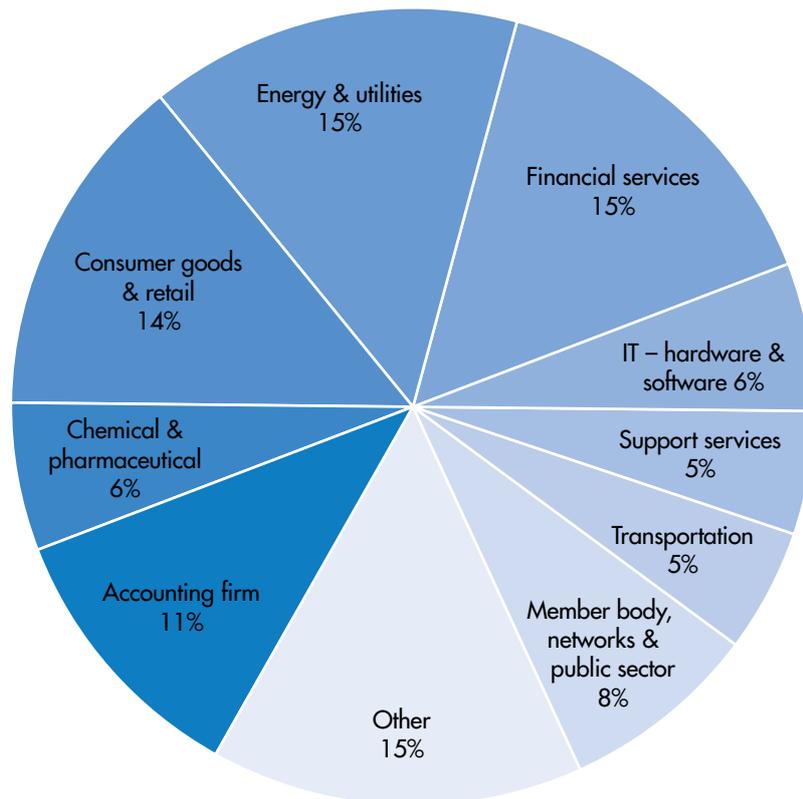
Many said that all of the activities identified in the Discussion Paper should take place concurrently as they have equal importance.

Some respondents highlighted certain issues as being particularly important, but in no special order, and others prioritized the issues. The five most statistically significant results were as follows:

	<IR> Pilot Programme	Harmonization	Framework Development	Outreach	Governance
Identified as important but in no particular order	51	51	42	35	23
Identified as top priority	40	21	29	16	8

# APPENDIX C: <IR> PILOT PROGRAMME PARTICIPANTS BY SECTOR

The following chart depicts the sectoral representation of the <IR> Pilot Programme participants as of 15 March 2012.<sup>8</sup>



<sup>8</sup> A complete listing of <IR> Pilot Programme participants can be viewed at: [www.theiirc.org/about/pilotProgramme/](http://www.theiirc.org/about/pilotProgramme/)