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).

Comments should be submitted by Monday 15th, July 2013.

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Stakeholder group:	Other

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

Organization name:	CAPITALCOM
Industry sector:	Financials
Geographical region:	Western Europe

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.

Since its creation, Capitalcom has specialized in the valorization of companies integrated performance (financial and non-financial), to foster innovation and help companies in facing the new global competitiveness challenges in the medium and long terms. At Capitalcom, we strongly believe that integrated reporting is crucial to companies in order to better reflect their own and unique value creation process. We also believe that integrated reporting is a necessary and fundamental step towards integrated performance, considered as companies' balanced development, regarding economic, financial, social, environmental, ethical and citizenship dimensions.

Our main observations can be found below:

1. The issues at stake regarding <Integrated reporting> go beyond the publication of an integrated report: more than a sheer communication exercise, the integrated reporting should be considered as a virtuous circle and a mean for companies to further include non-financial stakes and performances in their managing tools, their business models and their strategies. Thus, the <IR> approach should be endorsed and driven by those in charge of with governance – Board of directors and executives;

2. The <IR> should not be considered as an additional reporting standard, but as a voluntary frame of thinking for companies that should be part of a comprehensive dynamics to improve innovation and differentiation, key factors of competitiveness and performance;

3. As such, the framework should put more emphasis on innovation and further valorize this topic in the Content Elements relating to the strategy and to the business model;

4. According to us, the "reason to be" of <IR> – e.g. its objectives and advantages for both companies and their stakeholders – should be presented at the beginning of the framework, in order to ensure the coherence and relevance of the <IR> process;

5. In the same vein, it could be interesting to include a simple definition of IR in the framework;

6. In order to foster a more hands on approach, the framework should focus on the most concrete and operational information (e.g. Content Elements, Preparation and Presentation). Consequently, the chapters on the Fundamental Concepts and the Guiding Principles could be part of the appendices;

7. The framework could explore further thoughts on the articulation of <IR> with existing standards, norms and regulations (IFRS, US GAAP, GRI, ISO 26 000, Global Compact, CDP, WDP, OECD Guidelines, French Law Grenelle 2, art 225, etc.) on the one hand; and with the current corporate publications' practices (annual report, CSR report, GRI report, Communication on Progress, regulatory filings, etc.) on the other hand.

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.*

1.20 – This paragraph could be added to the principles-based requirements, as it explains what differentiates the integrated report from other reports and thus is essential to understand the concrete outcome of the <IR> process.

3.19 – This paragraph might also deserve further consideration. Indeed, beyond the communication objectives, the integrated reporting should be considered as a virtuous circle and a mean for companies to further include non-financial stakes and performances in their managing tools.

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 integrated reporting should give companies the opportunity to reconsider their annual publications strategy. Therefore, the framework should encourage them to reduce the number of reports (excluding mandatory publications), the integrated report being the entry point to further web contents.

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?*

Internationally recognized standards should be favored if such database were to be created: the IFRS, the Global Compact, the GRI, ISO norms, definitions agreed upon by the UN or the OECD and their related programs/initiatives, the European Union, ILO indicators, EMAS / OHSA's indicators definitions…

The provision of concordance tables with those standards and initiatives could also be recommended in order to limit the multiplication of reports and communications.

Other

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

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?*

Although we agree that companies' capitals include financial and non-financial assets, the classification provided by the framework might seem too theoretical to companies. Moreover, there might be discrepancies between the importance given to the concept and its application in the "Content elements". We believe a more hands on approach could foster the diffusion of integrated reporting within companies, that's why we would not begin the framework with the definition of the capitals (cf. 2.10).

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?

We agree with this definition of a business model, since it emphases value creation rather than revenues that is often put forward in traditional financial approaches.

Nonetheless, this definition could also refer to external stakes that are taken into account in the definition of the business model. It could also mention the impact on stakeholders, the value-chain approach being only dealt through the outcomes (paragraph 2.36).

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?

Yes. The definition of 'outcomes' appears to be complementary to the definition of 'outputs' and takes into account the externalities, should they be positive or negative.

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.

This Chapter might arouse reluctance among companies, due to its theoretical approach and the level of details required. In order to favor a more practical approach, the Chapter 2 could be placed in appendices, so that the framework would focus on the Content Elements and the Preparation and Presentation.

Also, it seems to us that the importance of innovation in terms of value creation and its core position in a company's business model could be better emphasized. Indeed, although very relevant insights (eg: "the business model description therefore explains the approach to innovation and responsiveness to change"), this concept is not mentioned elsewhere in the framework apart from the paragraph 2.33. We believe that companies' process towards integrated reporting and integrated performance represents in itself a source of innovation.

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?

Yes.

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

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?

As underlined in the paragraph 3.31, the reliability of an integrated report could be demonstrated through an external / third-party verification, notably regarding the reliability of the quantitative data provided by the reporting organization (both financial and non-financial data) (e.g. French rapport des Commissaires aux Comptes).

In addition, other aspects could be taken into consideration:

- a high level of transparency regarding the scope and the perimeter of data,

- transparency regarding the definition and the calculation of the indicators used

- the consistency between the different reporting (from one year to another, from yearly / half-year reporting, with the other reports…) and the clear mention of any changes made (y/y, …)

These elements are in line with the <IR> framework recommendations included in the section 3F on consistency and comparability.

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.

Some guiding principles such as stakeholder responsiveness or materiality are already detailed by other frameworks (e.g. GRI). As suggested for the Chapter 2, the Chapter 3 could be placed in appendices, so that the framework would focus on the Content Elements and the Preparation and Presentation – these elements being the most concrete and innovative inputs compared to existing international frameworks.

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).*

It could be relevant to invert the presentation of the strategy (4D) and the business model (4E). Indeed, the strategy explains how the business model is implemented and adapted to the context.

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?*

First, in many countries (for instance France), financial reports already include such statements. Therefore, such acknowledgement is not only coherent with the existing endorsement statements, but this would also represent a guaranty of credibility and would reflect the involvement of those charged with governance in the <IR> process.

Also, such statement would also send a positive signal in terms of increased responsibilities regarding the endorsement of non-financial issues / performance by those charged with governance.

Nevertheless, the framework should draw companies' attention to the legal opposability of the disclosure when it is endorsed by those charged with governance.

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

Beyond the identification and oversight of the employees involved in the process, those charged with governance – both the Board of Directors and the executive Committee – should endorse and drive the <IR> approach, in order to make it a management tool.

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?*

To most stakeholders, the more the information is verified by external third party, the more credibility it gives to the reporting organization as it can represent a signal of reliable information. As such, an assurance covering the integrated report as a whole would send a positive signal to providers of financial capitals, as well as to other stakeholders.

If not covering the whole report, the perimeter of the verification should be transparent and mentioned throughout the report. In particular, for indicators, any difference between the scope/perimeter of an indicator and the reporting boundary should be clearly identified.

These elements are valid for quantitative data but this further raises the question of how to ensure such reliability when it comes to the evaluation of intangible assets and capitals (e.g. intellectual capital, organizational capital…).

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?*

One of the major issues concerns the appropriation of the <IR> process inside the company: <IR> must be considered as a way to improve the decision making process and, in fine, companies' performances. Therefore, the framework should underline the differences between integrated reporting and integrated report – the credibility of an integrated report depending upon the existence of a real integrated reporting: the report should reflect the companies' managerial approach.

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?*

It would be relevant to explain how the integrated report is articulated with internationally recognized standards, such as the IFRS, the Global Compact, the GRI, ISO norms, the OECD Guidelines, the CDP or the WDP. This could provide concrete information to companies on the way to conciliate <IR> with frameworks they are familiar with.

A second topic to be detailed could concern the value-chain approach and how it has to be dealt in an integrated reporting.

At last, it could be of interest to focus on the link between stakeholders' relationships and value creation.

Other

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