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.

Name: Alexander Kinloch
Email: alexkinloch@swirepac.com
Stakeholder group: Report preparers

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

Organization name: Swire Pacific Ltd
Industry sector: Not applicable
Geographical region: 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.

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.

We support the current principles-based requirements and do not feel that any requirements should be added or eliminated.
**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?**

   We support how paragraphs 1.18-1.20 characterise the interaction with other reports and communications.

   We support in particular the IIRC’s approach to complement material developed by established reporting standard setters and industry bodies and to avoid duplication.

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?**

**Other**

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

   We have no additional comments on 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?**

   We agree with the current approach to the capitals and would only suggest one amendment.

   Currently the definition of financial capital relates only to the financial resources available to an organisation. This definition excludes the financial resources held outside of the organisation, which are created by the organisation and redistributed in the form of salaries, dividends and other distributions of value created by the firm from its operations. Swire Pacific aims to create shareholder value in the long term through distributions and also aims to ensure that employees are and continue to be fairly remunerated for their contribution to the success of the group.

   Currently all of the other capitals are defined in both social and organisational terms whereas financial capital is the only one to be defined purely in organisational terms. We would suggest that consideration be given to defining financial capital in both social and organisational terms, if not only because it currently contradicts 2.35, where increases in
society’s financial capital in the form of employment and taxes is referred to as one of
the “Outcomes”.

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

We believe that the concept described in 2.25 appears overly simplistic as material
commercial decisions are likely to be affected by many different interdependencies,
trade-offs and complexities rather than binary trade-offs. The reasons for these
commercial decisions are also likely to be commercially sensitive. For these reasons, we
believe this will be a difficult requirement to fully comply with.

**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 an organisation’s business model. We believe it
effectively integrates the capitals into the understanding of an organisation’s activities
and ensures that both inputs and outcomes are considered as well as multiple time
horizons. We would only question the need to have both “outputs” and “outcomes” and
whether these two terms could in fact be combined.

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?

We agree with this definition of outcomes. It effectively captures the intention of
elucidating the effect of an organisation on its internal and external environment as well
as drawing attention to the need to show both positive and negative outcomes.

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)?

We have no additional comments on Chapter 2C.

**Other**

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

We have no additional comments on Chapter 2.
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?

We agree with this approach to materiality.

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

We find the materiality determination process in Section 5B to be burdensome in its current form. While we agree that this process needs to be addressed in the framework, we believe that this should remain a principles-based section rather than providing step-by-step guidance. We also believe that disclosure of this process will add little value to the report.

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?

We believe that the best demonstration of the reliability of an integrated report is through external assurance. We are aware that guidance in this area has yet to be issued.

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

In Section 3.33 – Balance, we would suggest avoiding unequivocal statements such as “A balanced integrated report has no bias in the selection or presentation of information”. Any form of discussion or analysis will contain some inherent bias due to authorial subjectivity, even if attempts are made to avoid this through multiple levels of review. Those charged with governance would be unlikely to want to acknowledge compliance with a statement of this kind.

Other

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

We have no additional comments on Chapter 3.
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).

We have some comments on Section 4.24 & 4.25 - Treatment of conglomerates.

We believe that a number of different approaches to applying the <IR> framework would be possible for Swire Pacific. An integrated assessment could be made of the holding company on its own, of each division or of a combination of the two. Each would in our view provide useful information to users of the report. We have not yet seen examples of “true conglomerates” that have fully implemented integrated reporting principles and would welcome any such examples as well as further guidance on the subject.

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?

We believe that a short statement from those charged with governance acknowledging their responsibility for the integrated report is a reasonable suggestion. We would envisage it having a similar format to statements acknowledging responsibility in the current Corporate Governance statement of the Annual Report.

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

We have no additional comments on 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?

We believe that assurance should cover compliance with the principles-based requirements in bold and italic script in the <IR> Consultation Draft. We would suggest that this should be combined with some level of assurance (either limited or reasonable) over non-financial data included in the report.
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.

We have no additional comments on Section 5E.

**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).**

We have no additional comments on Chapter 5.

**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?**

We are supportive of the IIRC’s efforts to develop an integrated reporting framework and believe that the Consultation Draft is a good starting point from which to develop the final framework. If fully implemented by an organisation, we agree that the framework will provide users with useful information about an organisation’s ability to create value in the short, medium and long term.

We believe that the principles included are generally sound although we note that a key area for us will be the assurance framework and therefore await developments in that area. As mentioned in our response to Q16, we would also welcome some further guidance on conglomerate businesses as we feel that there are a number of different ways in which <IR> could be implemented.

**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?**

We would recommend developing explanatory material around ensuring the credibility and reliability of non-financial information as well as the requirement for assurance in this area as a priority. It is our opinion that this will be an area where quality of information may vary greatly between different reports and we feel that additional guidance on best practice would be beneficial as well as the likely form of assurance over the framework.

**Other**

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

No further comments on Questions 1-23.