

## 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](http://www.theiirc.org)).

### Comments should be submitted by Monday 15<sup>th</sup>, July 2013.

Name:

Email:

Stakeholder group:

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

Organization name:

Industry sector:

Geographical region:

### 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.*

No, the existing principle based requirements adopted by the IR Framework are exhaustive and therefore no change in the same is suggested.

### ***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?*

Further guidance is needed on the paragraph 1.18 which says :-

'The <IR> process is intended to be applied continuously to all relevant reports and communications, including analysts calls and the investor relations section of an organization's website ..... The integrated report may include links to these other reports and communications.'

For example: How the process shall be applied in abridged financial reports (say quarterly financial report) and quarterly guidance to analysts being issued by companies.

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?*

It is advisable to refer to the National Accounting Standards and National regulations under which companies issue various types of reports.

Reference to IFRS may be ideal, but many countries have not adapted IFRS and reference to IFRS might lead to confusion and difficulties for those countries.

### ***Other***

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

No additional comments

## **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?*

Yes, we agree to this approach to the capitals. Benchmarking with capitals as defined in the framework will ensure that none of the capitals that is being used by the entity to create value is missed out while preparing the Integrated Report.

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

No comments

**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 the definition. This captures the essence of other definitions of that are available in the literature.

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 the definition. This refers the impact of the operations of the company on different types of capitals and also the impact on capitals from the use of outputs produced by the company.

In paragraph 2.36, there is a need to emphasize that entities should disclose at one place, the net impact on a particular capital (eg. water) to enable users to appreciate the results. Another example may be the health hazard being created by consumption of tobacco products and the entity's efforts/initiatives to provide health care support to community. The impact should be netted and reported at one place to enable users to appreciate the consequences of the product and activities on the health of people, within and outside the company

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)?

No comments

**Other**

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

No comments

**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 to this approach of materiality. However, we feel a modification could help enforcement of accountability towards the community as a whole

We suggest that the materiality should be evaluated by reference to the information needs not only of the target users, i.e., suppliers of finance capital, but also from the perspective of other stakeholders. As already stated in the framework, the report will be a public document and would be used by stakeholders, other than the target users.

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

The materiality determination process propounded in the report is appropriate. No further comments.

### **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?

The entity must include in the Report, the internal control mechanism for Integrated Reporting to ensure the integrity of the information. It is advisable that the Internal Audit Department should report on the adequacy and effectiveness of systems established by the entity to collate and analyse data and to report information required under the framework

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

No Comments.

### **Other**

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

No Comments

## **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).

The Content Element Business Model in section 4E is quite comprehensive, It needs review to see whether an entity that adopts Integrated reporting will have to disclose too much information, which might impact its competitive positioning in the market and might require investment of significant resources to collect adequate information.

Therefore, it is necessary to examine that to what extent companies should disclose the information and at what periodicity. For example, a smaller company may not be required to disclose all the information on annual basis. It may be allowed to disclose information, say, every three years.

## 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?*

Yes, we agree to the proposition

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

No comments

### ***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?*

The credibility will be required on specific aspects of the Report that are not covered in other reports that are subject to audit. However, some agency/those who are responsible for governance should certify that there are no contradictions in information provided in the Integrated Report and that is provided in other reports being issued by the entity.

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.*

Some aspects of the Report will be based on the perceptions of the management and will be subjective. In absence of established models, those might not be verifiable, hence auditable. Therefore, it can be said that the Framework doesn't provide suitable criteria for assurance engagement for the complete Report.

## 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).

No comments.

## 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?

The overall framework is appropriate. But, the implicit costs of disclosing details of the business models and strategies should be weighed properly against the perceived benefits to suppliers of financial capital. Entities might be reluctant to publicly disclose detailed strategies.

## 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?

The following are the three areas where IIRC should develop explanatory material:

(i) Impact Measurement on various types of Capitals: It is quite possible that the attributes for impact measurement might differ from attributes that are being used for financial reporting and other reporting requirements under various regulations. Therefore, detailed guidelines will bring uniformity and will enhance comparability.

(ii) Explanatory material should be developed to provide a framework for internal control system on Integrated Reporting and ensure credibility of the report and integrity of information.

(iii) Explanatory material should be developed to provide examples on how a company should disclose the reasons for not including some information in the Report. Explanatory material should also be available on the process for determining materiality.

## Other

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

No comments