

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:

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.*

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?*

Generally, I am in agreement. However, I do think that other reports and communications produced by a company need to be aligned with the integrated report. The story being told in these various reports needs to be consistent. The way these paragraphs are worded now, it is as though these are separate unrelated documents, rather than a suite of reports which, together, give the full picture.

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?*

I think you need this, especially if you are going to "...reference examples of indicators and measurement methods developed by others."

Sources include GRI, SASB, Global Compact, OECD Guidelines for Multinational Enterprises, UN PRI, Guiding Principles on Business and Human Rights, various ISO indicators/requirements, sector specific requirements(?), jurisdictional requirements(?). It would be hard to determine at what point to draw the line (ie. Sector and geographic requirements might be too much detail).

Other

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

Paragraph 1.8 – "Those providers of financial capital who take a long term view of an organization's continuation and performance are particularly likely to benefit from <IR>." Does this imply that the needs of those who take a short-term view are met by current reporting vehicles? Also, I get confused with the next line – "Their interests (whose? Those who take a long term view?) are likely to align over time with the interests of other stakeholders because both are focused on the creation of value in the short, medium and long term." Shouldn't it be the other way around (that the views of those that take a short/medium term view are likely to align, over time, with those who take a long-term view)?

Paragraph 1.13 – "Senior management and those charged with governance therefore need to collectively exercise judgement to determine which matters are material." Should stakeholders be involved in the determination of material issues? If so, should this be explicitly stated here?

Paragraph 1.17 – last line "... outcomes in terms of the capitals – past, present and future." This is the only time when we refer to the timeline, particularly with respect to reporting on future outlooks. Critics argue that traditional reporting is backwards looking – and IR seems to be the place to really focus on what how strategy / performance / programs / initiatives will look like in the future. Perhaps highlight this concept up higher (it is really buried here).

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?*

Paragraph 2.10 notes that "... involves setting up measurement and monitoring systems..." and then in paragraph 2.11, it notes that there is a "... focus on the organization's future outlook". Why not tie this together a bit more, and note that in addition to measurement and monitoring systems this requires future outlook/strategic planning systems.

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

Paragraph 2.20 – While indeed it would be impractical to provide a full list of capitals / elements that create value, given that this type of reporting represents a new way of things and a new approach to value, it would be helpful to include a list of other potential elements to consider. This could be attached as an appendix. In putting together the Corporate Responsibility Report, we find that contributors provide only what is being asked. This type of reporting represents a new way of thinking, and it would be beneficial to provide a complete list of capitals (even though they may not be applicable across all industries / companies).

Paragraph 2.2.4 – "Quantitative indicators, such as KPIs and monetized metrics, can be important in explaining and organization's use of and effects on various capitals." Suggest adding "and we encourage their use wherever possible."

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?*

Yes

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?*

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)?*

Paragraph 2.36 – This is the first time where the idea of capital creation up and down the value chain is discussed. This should be discussed earlier (ie. When talking about the different capitals). Perhaps an initial discussion about the boundaries and what is covered (and not covered) by the report.

Paragraph 2.29 – I feel as though the concept of focusing on material capitals is buried. Perhaps move this up in the document. (I realise that it was mentioned in 1.13, but there is a lot more talk about the various capitals prior to 2.29).

Other

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

Paragraphs 2.38-2.40: This is all true, however it might be useful to reiterate that an integrated report would be part of a suite of reporting vehicles (including financial statements), and that the information contained in these other reports is equally relevant for various other investors/situations. You don't want to turn off those analysts / investors that are interested in the quarterly information. This might be a topic to address here.

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?*

The "... ability to substantively influence/affect..." is left open to interpretation, and is likely to result in very different reports across (ie.) an industry. An example portraying what would be viewed as material, would help clarify this definition, and provide a base on which to build report content.

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?*

External/internal assurance.

Sign off on the report by the highest regulatory body.

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

Paragraph 3.6 – This will be a difficult concept for corporations to swallow (ie. Legal departments). Additional guidance here, to convince reporters of the need to include this information, will be essential.

Other

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

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).*

Many of the elements mentioned here for inclusion in an integrated report are already mandatory requirements in other disclosure vehicles (ie. Management proxy circular). This would result in reporting the same information in multiple places. How could this be addressed (there would be significant pushback from within the organization if they were asked to report this in multiple places).

4.19 – “The resource allocation plans it has in place, or intends to put in place, to implement its strategy.” This could be a very sensitive subject.

4.23 – “Positioning of the organization within the entire value chain.” As noted earlier, it may be useful to require reporting companies to determine the boundary applied for the report in question. Otherwise, there could be no end to the ‘capitals’ reported on (and reports could not be comparable across an industry sector).

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, although there are myriad legal considerations in doing so. As I not well versed in this, I would defer to experts on this issue.

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

Frequency of reporting: real time? If an issue really is material, it should be disclosed to shareholders and the market as soon as possible, shouldn't it?

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?*

Currently, assurance providers must focus on verifiable facts (ie. What has been done). They are not able to provide assurance for forward-looking statements. The focus in <IR> on future drivers of value, and forward-looking capital would require a significant shift in how assurance providers function. As such, I would suggest external assurance on specific aspects of the report. This could be expanded as assurance providers become more familiar with <IR> and the content of such reports.

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?*

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?*

As this way of thinking deviates significantly from current financial reporting, it would be beneficial to include some general examples of <IR>. Examples of these topics would be helpful to first-time report preparers - how to treat the interconnectivity of the various capitals, long term strategic outlook and value creation, boundaries. These examples could be included in appendices, so that those preparing the report have a point of reference. A mock report, in the various industry sectors, would also be useful.

Other

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