

## 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.**

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Stakeholder group:	<input type="text" value="Report preparers"/>

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

Organization name:	<input type="text" value="The Dow Chemical Company"/>
Industry sector:	<input type="text" value="Basic materials"/>
Geographical region:	<input type="text" value="Global"/>

### 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.

We have an overall concern for how subsidiary-level reporting and geographic-level reporting will relate to parent-company reporting, e.g., some issues may be judged to be material at the subsidiary or geographic level but not material at the parent level.

The process for determining materiality will need more explanation and training.

In a context where many companies are responding to stakeholder requests to streamline and focus their reporting on material issues, we need to guard against expanding the possibilities of purposely or inadvertently expanding the scope of non-material reporting topics and requirements.

## 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

### ***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?*

SEC filings must be completed 60 days after the fiscal year ends, and these reports cannot be delayed. Due to the limitations of the existing processes and systems at many companies, it takes far more than 60 days to compile many categories of non-financial data. Large and expensive changes would need to be made to synchronize these processes.

We would want to integrate with existing reporting as much as possible.

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?*

GRI  
SASB  
We don't see a need to reinvent indicators or methods

**Other**

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

None

**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?

Materiality and measurement systems for human capital, social and relationship capital, and natural capital are more subjective than the systems for financial, manufactured, and intellectual capital. Clear guidance regarding acceptable and unacceptable measurement systems will be needed.

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

None

**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 impact our inputs with our outcomes. Therefore, Figure 3 ought to be shown in a circular format for better understanding, reflecting a circular economy.

### **Business model (Section 2C) continued**

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

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)?*

None

### **Other**

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

None

## **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 SEC gives clear materiality guidelines, and we will need to demonstrate compliance with those guidelines.

Certainly providers of financial capital are an important stakeholder audience, but in some cases, they are not the primary intended report users, and other stakeholder audiences are more important. In order to avoid excessive proliferation of reporting, we would want to broaden the intended report user audience.

When the guidelines for materiality are unclear, outside readers tend to find the reporting more subjective. We need to be careful to avoid diluting the report with non-material information in a quest to be comprehensive.

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

None

**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?

Assurance by reputable providers  
Internal and external auditing  
Comparison with peer company reporting

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

None

**Other**

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

None

## 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).

A strong focus on the investment thesis is needed in order to link the content elements effectively.

## 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, to enhance the credibility of the report.

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

None

**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?*

Assurance should include the entire report in order to provide credibility to the entire 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.*

None

**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).*

The framework is very general, so it provides flexibility, which will be seen as positive by the reporting community, but not structured and standardized enough for some analysts to adequately compare reports.

We are not in favor of using XBRL tagging. We have to do it for the SEC filings. We find that it takes extra time, so it places a burden on the reporting community, and we find that investors do not use it. Specific taxonomies would have to be developed.

## 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 framework is still somewhat subjective, so some reporters and report users will not find enough help in this level of the framework.

There is a lot of work ahead for a lot of companies to comply with the framework.

## 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?*

Materiality determination  
Assurance  
Parent - subsidiary - geography materiality scope and reporting

## Other

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

None

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)