

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.

The IR framework is bringing genuine added value in comparison with other standards by its focus on value creation and connectivity. It provides interesting concepts mainly the capitals and the business model to demonstrate how the company creates value. So in general it is quite difficult not to agree on the principles developed in the framework. And we are quite convinced that it is the right direction to go. However, the interpretation of these principles can be very broad and the task and obstacles that lies ahead to draft a real IR are huge.

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 agree with the principles contained in the framework. They will contribute to improve the company reporting quality by focusing on the organization's strategy, future outlook and connectivity of information. However the guidance on how to use the principles is often very broad which leaves many doors open on how to comply with the principles and leaves the companies in some confusion on how to handle the framework in practice. In this context it will be very difficult to judge if a report is prepared in accordance with the framework or not.

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?*

Yes.

An integrated report is not sufficient to comply with accounting and governance regulations applying to our company and will be too concise to contain some information we want to communicate on various topics (environmental and HR management, etc..).

The text could emphasize more that the IR should become the flagship report of the company and not just another report besides the financial statements, SD report etc...

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?*

EU Directive on Disclosure of Non Financial Information and the references to reporting standards listed in the Directive (UN global Compact, ISO 26000, ILO Tripartite Declaration of principles concerning multinationals enterprises and social policy, OECD guidelines for multinational companies , GRI)

SASB, CDP

Other

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

Clarification is needed on unavailability of reliable data and competitive harm as reasons not to disclose material information. Difference between inability and unwillingness must be clarified.

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.
The 6 categories of capitals is a useful tool to structure the content of the report and provide some basis of comparison between companies. We appreciate that the framework does not require to value all stocks and flows of the different capitals and to describe all interdependencies between the capitals.

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

We have strong concerns about the disclosure of trade-offs. In many cases trade-offs are linked more to tactical rather than strategic decisions which companies are very reluctant to disclose because of competition reasons. Besides, due to the complexities of the interdependencies between the capitals as described in the framework, many "trade-offs" may be in good faith totally unsuspected or unforeseen. So we think more guidance is needed on that issue.

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.
However, as multi business organization (19 BU) with the clear willingness to be BU centric we are in fact applying several business models. This will be very difficult to combine with the conciseness principle even if we regroup the BU and use the same segmentation as in the Financial Statements (5 operational segments).

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?*

The concept of "outcome" is close to the one of "impact". The question here is how far do you go in the evaluation of direct or indirect consequences of the company's activity. Here also more guidance is welcome to reduce potential complexity (as for instance the audience of the report has been limited by focusing on providers of funds).

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 additional comment

Other

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

- "Business Model" is presented both as one of the Fundamental Concept (section 2C) and as a Content Element (section 4E). This may be confusing and it would probably be more clear if all guidance on business model was concentrated in the same section.
- The added value of section 2D on Value Creation is very low as its content is redundant to a large extent with section 2A, 2B and 2C. We think that value creation is more an objective (the main one !) than a fundamental concept. Besides, the paragraph 2.44. on externalities, is also very complex to apply. Valuation of externalities is a very complex subject where more question marks than answers currently exist.

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 reference to the primary intended report user is key but it appears only in the guidance (definition) and not in the principle itself (bold text). This should be clarified.
There is a contradiction, in our view, in the obligation to consider in a very broad way all the different parts of the business model (all the capitals and their interdependencies, the outcomes, externalities, trade-offs...) and to narrow the materiality issue to the relevance and importance for one stakeholder only : the funds provider. This is also somehow in opposition with the stakeholders responsiveness principle.

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

We don't think it is necessary to disclose the materiality determination process as extensively as requested in 5.13. because it will not directly contribute to explain how the company creates value and will not captivate the targeted audience. It is not aligned with the principle of having a concise report focused on key strategic elements.

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 primary assurance for the reliability of the report is the judgement of the senior management and those charged with governance exercise as written in the framework. This is particularly the case when describing future outlook, opportunities and risks, materiality etc.. Forecasts are reliable based on credible underlying assumptions available when the forecasts are done but there is certainly no guarantee that they will materialize. Therefore, external assurance which is certainly an important element for a report credibility and reliability may be provided but should not be obligatory.

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

3.38 - 3.41 Cost/benefit of reporting : the explanation is pretty straightforward and does not need to be developed so extensively.

Other

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

It should be investigated if the guiding principles of IR can be more aligned with the guiding principles of GRI without doing harm to the IR concept and objective. Maximum alignment can lead to more acceptance of the IR framework.

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).

No additional comment

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?

The report should clearly state which governance body has approved the IR. No additional statement should be made on integrity of the report, application of its collective mind to the preparation (it is implicit if approved by the governance body) and of its compliance with IR framework (difficult to state with such a principle based framework)

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

no additional comment

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?

Specific aspects of the IR also covered in the financial statements or SD report will be somehow covered by extension by the assurance obtained for these reports.

As a key principle of IR is connectivity, a partial assurance may not be appropriate for the overall credibility of the report.

Anyway, the option to obtain external certification or not should be left open for the company.

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.

no comment

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).

Reporting boundary : we agree on the focus on financial perimeter as the core boundary for the IR

Section 5I on Use of Technology has not much added value in the framework.

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 a good tool to re-think the way to communicate on how the company creates value. However, it can be interpreted in many different ways so that the final output and the success of the framework is hard to predict. Also its place in the overall reporting framework of the company is not obvious.

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?*

Explanatory material is available on business model, capitals and materiality but the quality of the content is often quite weak. These key documents should be improved.

Additional topics may be connectivity and value creation because these elements bring real added value to the IR.

Other

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

No additional comment

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013