

## 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: Jaqueline Nichi

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Stakeholder group: Report preparers

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

Organization name: Natura Cosméticos

Industry sector: Consumer Goods

Geographical region: Central and South America

## 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.

Since 2002, Natura reports its financial, environmental and social results in the same report. Before that, our report was done in two separate documents. This decision was made in conjunction with the team that took care of social responsibility and financial issues, as well as the board that coordinates this work until now, and to which I work for, the directory of Corporate Affairs. The main goal was to in fact create mechanisms to report in a triple bottom line view, such as integrating the three dimensions of projects and results. We believe that since the Natura is reporting according to GRI (today we are rated as A+ GRI version 3.1) – and the company was the first one in Latin America to do it, in 2000, as well as the IIRC for integrated reporting, we have learned a lot. Natura participates in the forums and discussions of GRI and IIRC as we have two representatives on the Board at each of these institutions.

## **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.*

Yes.

The Guiding Principles for Integrated Reporting are well structured and each argumentation for the Guiding Principle are clear, coherent and objective. The orientation of each one of principles addresses the organizations' needs and certainly contributes to the reporting process.

Despite the suggestions, we believe that the Guiding Principle "Connectivity of information" may include in its definition the "comparability" factor. It is clear that in an integrated reporting, informations must be properly connected and understood in their interdependent relationship with other informations/indicators, but we can supplement that information should also be comparable, especially for the aggregated value and even the positive and/or negative impacts that it prints in the context reported.

In this chapter yet, we miss an orientation with respect to the frequency of integrated reporting, especially if we consider that companies have different deadlines and periods for accountability. A standard integrated reporting should provide flexibility and solutions, considering different scenarios.

OK regarding Guiding, we only would recommend that the IIRC ensure that all GRI principles be included in the Guiding Principles.

### ***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.

The reflections above show that although GRI and IIRC, for example, have been spawned from different contexts and perspectives, they are however geared towards the same purpose: making organizations' management practices more sustainable. For such, they embrace distinct strategies although they use a common instrument, which is the reporting process.

We believe that the reflection above points out to positive paths indicating that there is space for complementing through the accumulating of experiences, savvy, and the generating of synergy in benefit of producing, report-using organizations, their stakeholders and, above all, the encouraging of more sustainable management practices, investment decisions and consumption.

- 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, for example. Various reporters describe GRI reporting processes as a type of 'a roadmap', 'baseline' or 'reference point' in their development of an integrated report – with GRI helping them (i) to appraise what may be considered material at the outset of their reporting process, or (ii) to provide a check-list for reflection after their report has been compiled. At the same time, reporters also grapple with (iii) the volume of disclosures that they could report within the GRI Framework and how to focus on what is material.

In Natura, since we are dealing with the reporting process, it is possible to understand the real dynamics of the relationship in the company, both from professionals and process and it is quite interesting and helpful. Collaborative work is another great incentive that GRI provides.

## **Other**

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

The Integrated Reporting Framework could wide our comprehension on all aspects of the company. It allow us to systematize a process of thinking in advance, including about possible solutions and opportunities and enable the analysis of risks involved in each theme. Another incentive came through integration between areas that previously could not see its impact in each other. Since we are dealing with the reporting process, it is possible to understand the real dynamics of the relationship in the company, both from professionals and process and it is quite interesting and helpful.

## **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.

Surely the concept of "capital" of the different resources (physical, human, intellectual), relationships and networks and other assets of an organization, makes analysis and interdependent relationship more tangible to the different stakeholders who will have access to the report.

In the other hand for organization, this segmentation also helps the reporting process, from the development and collection of indicators such as understanding about the relationship and connectivity between factors and elements that are being reported.

We use the five capitals (natural, human, social, economic and physical) in our evaluation with supplier communities, which has been quite effective for a more strategic and sustainability as well.

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

IIRC could better follow the Sustainable Livelihoods Framework (Scoones), for it is not clear why there is a separation between human and intellectual capital, perhaps they could be integrated. Also the "manufacturing" capital, according to the description in the material, there may be an interpretation that manufacture refers only to manufacturing issues, without considering a broader view of nonnatural resources support to human activities, we recommend appointed as physical capital.

However, even in a division of capital context , we get the risk of keeping targeting issues (financial, economic and social) without actually making the integrated reporting. It would be interesting to evaluate this point in the pilot and how it will envolve Capitals to Content Elements integration.

### ***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.

Private companies have the same fund needs that publics and they need to demonstrate that the strategy and business model are adequate to address the risks and opportunities of business.

One of the biggest opportunities is to turn the report into a future orientation, focused on effective business transformation.

### ***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.

One of the main strengths of the Integrated Report is that it expands the boundaries by focused on the management of companies outcomes. With this vision with greater focus on impacts (positive and negative), besides to control them, companies could evaluate them in the context of its performance. As part of its overall objectives, Integrated Reporting recognizes, with outcomes definition, that shareholders have a valid interest in understanding which issues are being managed and the impact they have on the value and sustainability of the business.

#### *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)?*

Investors want and need to understand that the business model they have bought into is sustainable in the long term – and managed in a way that secures long term value. This means focusing on those specific aspects of the issue that have a direct operational implication.

Reporting would include key inputs and how they relate to the capitals from which they were derived. The report would describe key business activities, such as how the organization differentiates itself in the market, how the need to innovate is approached, and how the business model has been designed to adapt to change.

### ***Other***

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

On applying the Integrated Report framework, there should be a clearer intention and message that should assist the reporting organization to produce more focused and more objective reports that give highlighted visibility as to what is in fact more important for the business and its providers of financial capital.

There should be a clearer intention for producing a report that will directly serve the purpose of supporting decisions made by managers and investors, further to giving support to the organization's process management's knowledge and capacity.

## **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?*

No.

The materiality matrix should reflect a "three-dimensional" axis (considering triple bottom line), ie, besides internal and external, indicate where the impact is generated. One possible solution would be to keep the two-dimensional proposal, but complement it with a table correlating the issues identified as material to the various links in the business model. Strengthen stakeholder vision also at results and performance indicators. Consider evolution of materiality considering not only providers of financial capital issues.

The vision of stakeholder could be strengthened. Rather than consider only the priorities of the providers of financial capital to materiality, Integrated Reporting could boost a management / reporting of the results also including the perspective of stakeholders impacted to achieve them. Many of them affect many stakeholders, but today it is only possible to access it from the point of view of the company.

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

Consolidating and managing only material information to attend Integrated Reporting requirements may result in superficiality or difficult comparability. Despite encourage and empower a materiality analysis, in practice is there high demand to consolidate information when not all of those may be material to the organization. Companies decide to provide more information even if not are material to not take risks for lack of transparency.

In other hand, another key point, which brings greater depth on issues that are really important for the business, is the concept that the report is not only a compilation of facts and data, but a reflection of the company's management and providers financial capital demand.

***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?*

Enhancing financial statement disclosures allows organizations to communicate to providers of financial capital on important investment drivers, within the current reporting and assurance framework which has the benefit of adding a greater level of credibility, reliability and consistency to the information disclosed. This is not to argue in defence of retaining lengthy financial statement disclosures in the Integrated Report; rather enhancing the quality of disclosure practices on key investment drivers within the mandatory financial reporting framework, ensuring that messages communicated in both the financial statements and narrative reporting are consistent. This allows unnecessary disclosures to be eliminated and narrative reporting to be more succinct and focused upon interpretative guidance through the eyes of management.

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

We agree that Integrated Report would include all material matters, both positive and negative, in a balanced way without material errors. The main challenge is how to include what is really material to our business and industry versus reporting on a vast range of topics and indicators because it seems common practice. We would like to report what really matters, but we find it challenging to address the reporting expectations of all stakeholders, including providers of financial capital.

***Other***

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

We think that defining report content correctly is crucial in making Integrated Report a valuable exercise, for reporting organizations and report users. Providers of financial capital need to take judgements over the risk and opportunities issues on the business and the steps being taken to address it. This requires a balanced perspective with analysis that is comparable to past reporting and targets, and also wider industry practice.

## 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 way the Content Elements are described and organized offers insightful and objective guidance on how it should be the integrated report with respect to what is published and what purpose of reporting the information in order.

In this sense, these elements meet the different stakeholders who have access to the report, especially the investing public, elected as one of the priorities at first.

This format also provides a possible way to get the report more concise and doable in a fluid and linear reading.

The Elements Contents are well aligned to the GRI Structuring Elements (Vision and Strategy, Organizational Profile, Structure and Governance, Stakeholder Engagement, Guiding Principles and Management Systems) with the positive inclusion of "Future Outlook" which is one of the guidelines in fact that will cause a more strategic view of management as a whole.

## 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?

It is important that the highest governance body consider investors and other stakeholder issues and assess how is their relationship between the company, however it is not their role having direct contact with them. Some indicators could be reevaluated that refer to this issue.

Natura believes that transparency with stakeholders and good governance are essential in its management. The role of the highest governance body to monitor and/or require that the topics are accompanied TBL should be the focus of Governance's guidelines.

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

We agree that an Integrated Report should provide insight on how an organization's governance structure supports its ability to create value in the short, medium, and long term. This should include leadership structure; strategic direction and approach to risk management; how culture, ethics, and values affect capitals; and how remuneration is linked to value creation. It's so crucial for all stakeholders, including providers of financial capital.

### **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?*

Integrating financial and non-financial information can be challenging in terms of measuring non-financial data. But in order to produce a reliable, balanced report, ESG information should be treated with the same rigor as financial information. The view at Natura is that the main challenge today is technical and that the evolution of IT and data systems will play a part in improving and helping to drive integration. So, in the future, assurance will be covering the integrated report as a whole, including non-financial data, like we have today in the GRI report. The main difficulty may lie in the creation of parameters for external verification and audit, they will need to adapt to innovative practices and unconsolidated.

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.*

The aim of most companies is about credible communication for capital. It is that simple and that complex at the same time. There are potential challenges around how to establish the credibility of the new information incorporated into the expanded business reports, with financial and non-financial information.

### **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).*

Perhaps one of the biggest challenges be to evolve a "long and complex" report for a "concise and material" account without losing comparability, since some guidelines (eg: GRI) consider many indicators as required (core).

## 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?

Even Integrated Reporting model their principles can achieve all organizations whatever the size. Private companies have the same fund needs that publics and they need to demonstrate that the strategy and business model are adequate to address the risks and opportunities of business.

As an emerging economy, the companies great needs (publics or private) is access to capital. Linking access to capital to the evolution toward integrated reporting is able to leverage its practice intensively in the Brazilian market, for example.

We have one of the biggest opportunities to turn the report into a future orientation, focused on effective business transformation, with information about our 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?

>> Business model: because it is crucial for a good presentation about organization's ability to create value, not only for providers of financial capital. A graphic presentation of business model is useful and necessary for a concise communication.

>> Materiality: another key point is materiality, which brings greater depth on issues that are really important for the business, reinforcing the concept that the report is not only a compilation of facts and data, but a reflection of the company's management.

>> Assurance: a repeated challenge across many different companies regards data gathering and its assurance. It is necessary to develop measurement techniques (eg: carbon) so that it may becomes possible even consider these indicators in the economic result.

## Other

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

The main challenge in preparing integrated report today is technical. We believe that technology (IT) may help us to integrate better the results of the entire company, streamline the process and reduce the time of production of the Annual Report. We have also evaluated as a point of attention for improvement the engagement of the employees. For instance, how we could make them realize the importance of not only having an integrated report, but thinking strategically this way in its management. The report ends up being just the result of this triple bottom line management which we believe is the most appropriate and is something that was born with Natura 43 years ago, since its foundation.

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)

**IIRC Consultation Draft <IR>**  
**Feedback Natura – Junho 2013**

**1. The business case for “Integrated Reporting”**

**1.1. *Which are the major flaws in the current system of companies' report?***

- What is mandatory: the economic and financial report presents a partial analysis and short-term companies' performance.
- What is complementary and voluntary: the social and environmental report has become a field of reputation and image dispute, with no immediate impact on business results, except sporadic examples of contributions and still marginal.
- The current corporate report does not allow the preview of the risks and opportunities of the business. The companies do not expose themselves clearly, except when they want to go public and/or fundraising. During operation, settle into a false dilemma of transparency between what is strategic information for competition and that can feed the correct stakeholders' decision and disseminate only convenient part of their headquarters.
- Lack of investment by companies in the management of social and environmental indicators, which are not as systematic as the financial-economic, generating a gap in the disclosure and consequently the analysis. It is necessary to develop measurement techniques (eg: carbon) so that it may becomes possible even consider these indicators in the economic result.

**1.2. *Which communication practices should be taken into consideration in order to create an Integrated Reporting?***

- A positive aspect is that the Brazilian market is highly permeable to new practices or regulations (given the spread of the GRI in the country), which will facilitate the adoption of new guidelines.
- Mismatch between the disclosure within financial and non financial. While financial follows rigid regulation, the annual non-financial information does not follow any standard, being published from February to September. Furthermore there aren't any consistent practices for quarterly disclosure, referring to the need for business investment in systematic management of this information.

**2. Communications' future**

**2.1. *In your opinion should it be present up to 2020 disclosure results all financial, economic, social, environmental, governance and innovation aspects?***

- Yes. We are facing eight cycles of full annual report, which allows us a great development.

- There are the structural conditions for development In Brazil: solid practice and regulation of economic and financial disclosure; interest and constantly expanding of sustainability reporting; incentive mechanisms (ISE BM&F BOVESPA); pressure mechanisms such as rankings and awards - Abrasca, Road to Credibility study (FBDS and SustainAbility), Aberje, Exam Guide etc.
- The main difficulty may lie in the creation of parameters for external verification and audit, they will need to adapt to innovative practices and unconsolidated.

**2.2. *What challenges and obstacles do you foresee for the adoption of integrated information? Integrated Reporting.***

- Lack of interest from analysts and investors. It will be necessary an extensive work of building a new mental model analysis of corporate performance.
- This effort will also require reeducation of sustainability professionals, who often idealize a far reality from the corporate environment.
- Metrics development that integrate economic, social and environmental impacts. There are few technical and academic resources and little research to enable these propositions and innovations as well.
- Guidance limitations: when working with risks and opportunities, we also links them to scenarios, which goes against the existing limitations regarding projected results in public companies. Working with scenarios can change the mental model, focused on short-term approach to a medium and long term nowadays.

**3. Integrated Reporting Framework users**

**3.1. *What do public companies need as guidance to implement integrated reporting in their business?***

- Incentives and regulation, for example the inclusion in the rules of good governance of BM&F BOVESPA - it certainly should be part of the requirements of the Novo Mercado.

**3.2. *Which entities would benefit from the implementation of Integrated Reporting and what would be their needs? Whereas small and medium private companies, public sector and/or non-governmental organizations.***

- Even Integrated Reporting model their principles can achieve all organizations whatever the size. Private companies have the same fund needs that publics and they need to demonstrate that the strategy and business model are adequate to address the risks and opportunities of business.

- Medium-size Companies as well, they are benefited because of the brevity part of the principles of integrated reporting. The deployment in medium-sized companies is perhaps even easier than in large corporations because their structures and decision's control to be involved are smaller and more flexible.
- The same goes for non-governmental organizations, which also require funds to remain themselves active and successful in achieving their social and environmental causes.
- Brazil public sector seems like of farther deployment because there is no culture and practice of public accountability.

#### **4. Government's role**

##### ***4.1. In your opinion, which is the best way to ensure the adoption approval of Integrated Reporting?***

- Regulation as to the timing of disclosure and adoption encouraging from limited access to capital (eg: BNDES's requirement and other development agencies).

##### ***4.2. Does the government plays a role in accelerating the adoption of Integrated Reporting, or it must be driven by voluntary initiatives and the companies themselves? Other institutions are relevant in this case.***

- As an emerging economy, the companies great needs (publics or private) is access to capital. Linking access to capital to the evolution toward integrated reporting is able to leverage its practice intensively in the Brazilian market.
- Voluntary commitments contribute as examples, but not transform the market as a whole.
- These are the organizations that must be mobilized: CVM, Bolsa de Valores, Febraban, Apimec, Anbid/Anbima.

#### **5. Audience for Integrated Reporting**

##### ***5.1. Which actors would you consider for a preliminary hearing of Integrated Reporting?***

- All those who have ability to finance a company - investors of all sizes, fund managers, banks, governments, etc.

##### ***5.2. The IIRC identified investors as an initial audience for this audience. Which are the main characteristics of an Integrated Reporting that would meet these audience's needs?***

- Clear and transparent identification of risks and opportunities - and how the strategy and business model deal with this scenario.



- Presentation of possible scenarios
- Indicators that consider the intersection of financial and non-financial indicators (examples: carbon, energy, customer satisfaction).

### **Sustainable Inputs:**

#### **6. Do you think that multiple capitals concept is useful in explaining how a company creates or not sustainable value? Why/why not?**

Yes.

Surely the concept of "capital" of the different resources (physical, human, intellectual), relationships and networks and other assets of an organization, makes analysis and interdependent relationship more tangible to the different stakeholders who will have access to the report.

In the other hand for organization, this segmentation also helps the reporting process, from the development and collection of indicators such as understanding about the relationship and connectivity between factors and elements that are being reported.

We use the five capitals (natural, human, social, economic and physical) in our evaluation with supplier communities, which has been quite effective for a more strategic and sustainability as well..

IIRC could better follow the Sustainable Livelihoods Framework (Scoones), for it is not clear why there is a separation between human and intellectual capital, perhaps they could be integrated. Also the "manufacturing" capital, according to the description in the material, there may be an interpretation that manufacture refers only to manufacturing issues, without considering a broader view of nonnatural resources support to human activities, we recommend appointed as physical capital.

However, even in a division of capital context , we get the risk of keeping targeting issues (financial, economic and social) without actually making the integrated reporting. It would be interesting to evaluate this point in the pilot and how it will envolve Capitals to Content Elements integration.

#### **7. Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?**

Yes.

The Guiding Principles for Integrated Reporting are well structured and each argumentation for the Guiding Principle are clear, coherent and objective. The



orientation of each one of principles addresses the organizations' needs and certainly contributes to the reporting process.

Despite the suggestions we believe that the Guiding Principle "Connectivity of information" may include in its definition the "comparability" factor. It is clear that in an integrated reporting, informations must be properly connected and understood in their interdependence relationship with other informations/indicators, but we can supplement that information should also be comparable, especially for the aggregated value and even the positive and/or negative impacts that it prints in the context reported..

In this chapter yet, we miss an orientation with respect to the frequency of integrated reporting, especially if we consider that companies have different deadlines and periods for accountability. A standard integrated reporting should provide flexibility and solutions, considering different scenarios.

» OK regarding Guiding, we only would recommend that the IIRC ensure that all GRI principles be included in the Guiding Principles

Content Elements (page 15 of the Discussion Paper)

**8. Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report– are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?**

Yes.

The way the Content Elements are described and organized offers insightful and objective guidance on how it should be the integrated report with respect to what is published and what purpose of reporting the information in order.

In this sense, these elements meet the different stakeholders who have access to the report, especially the investing public, elected as one of the priorities at first.

This format also provides a possible way to get the report more concise and doable in a fluid and linear reading.

The Elements Contents are well aligned to the GRI Structuring Elements (Vision and Strategy, Organizational Profile, Structure and Governance, Stakeholder Engagement, Guiding Principles and Management Systems) with the positive inclusion of "Future Outlook" which is one of the guidelines in fact that will cause a more strategic view of management as a whole.

**Q3. Are the input and output capitals (such as financial and manufactured) of this business model helpful in thinking through the factors that are essential to sustainable value creation within your organization? Why or why not?**

Same to Q6:



IIRC could better follow the Sustainable Livelihoods Framework (Scoones), for it is not clear why there is a separation between human and intellectual capital, perhaps they could be integrated. Also the "manufacturing" capital, according to the description in the material, there may be an interpretation that manufacture refers only to manufacturing issues, without considering a broader view of nonnatural resources support to human activities, we recommend appointed as physical capital.

However, even in a division of capital context , we get the risk of keeping targeting issues (financial, economic and social) without actually making the integrated reporting. It would be interesting to evaluate this point in the pilot and how it will envolve Capitals to Content Elements integration.

**Q4. If you were to apply the Guiding Principles and Content Elements (set out on pages 12 to 15 of the Discussion Paper) in the context of your existing reporting, what would be the main changes to your reporting relative to what you are currently doing?**

Somehow, we've already been following a banch proposed by IIRC in our report, we may need to improve our approach to the future, considering medium and long term as well as information connectivity.

**Q5. What do you consider to be the main challenges to the application of the Guiding Principles and Content Elements? Why?**

Somehow, we've already been following the proposed point in the Guiding Principles. Perhaps one of the biggest challenges be to evolve a "long and complex" report for a "concise and material" account without losing comparability, since some guidelines (eg: GRI) consider many indicators as required (core).

**Q6. What do you consider to be the main opportunities from the application of the Guiding Principles and Content Elements? Why?**

One of the biggest opportunities is to turn the report into a future orientation, focused on effective business transformation.

**Q7. Where do you believe additional guidance in implementing the Guiding Principles and Content Elements is most needed? Why?**

It's necessary a greater concise and comparability as well.

**Q8. Which aspects of the proposed Integrated Reporting Framework do you believe will receive the most support within your organization? Why?**

The brevity would be this aspect.

**Q9. Which aspects of the proposed Integrated Reporting Framework do you believe will receive the least support within your organization? Why?**

Segregation by capital, since it is still unclear how the IIRC will address the connectivity.



## **ANNEX 1 – Responses from reporters who contributed to the research**

Natura Cosmeticos, Brazil

Published reports included in the research sample:

Annual Report 2009 (Application Level A+), Natura Report 2010 (Application Level A+), Natura Report #11 (Application Level A+)

Name and function:

Jaqueleine Nichi, Corporate Communication Coordinator

Years involved in corporate reporting:

2 years

### **1. Why did your organization start to combine financial and non-financial reporting? Who made the decision?**

Since 2002, Natura reports its financial, environmental and social results in the same report. Before that, our report was done in two separate documents. This decision was made in conjunction with the team that took care of social responsibility and financial issues, as well as the board that coordinates this work until now, and to which I work for, the directory of Corporate Affairs. The main goal was to in fact create mechanisms to report in a triple bottom line view, such as integrating the three dimensions of projects and results. We believe that since the Natura is reporting according to GRI (today we are rated as A+ GRI version 3.1) – and the company was the first one in Latin America to do it, in 2000, as well as the IIRC for integrated reporting, we have learned a lot. Natura participates in the forums and discussions of GRI and IIRC as we have two representatives on the Board at each of these institutions.

### **2. What are the main challenges in preparing such a report?**

The main challenge today is technical. We believe that technology (IT) may help us to integrate better the results of the entire company, streamline the process and reduce the time of production of the Annual Report. We have also evaluated as a point of attention for improvement the engagement of the employees. For instance, how we could make them realize the importance of not only having an integrated report, but thinking strategically this way in its management. The report ends up being just the result of this triple bottom line management which we believe is the most appropriate and is something that was born with Natura 43 years ago, since its foundation.

### **3. To what degree has the GRI reporting process helped your organization to prepare such a report?**

Every year we see a great evolution in the reporting process. The GRI guidelines have been really widening our comprehension on all aspects of the company, from work security to diversity. It allow us to systematize a process of thinking in advance, including about possible solutions and opportunities and enable the analysis of risks involved in each theme. Another incentive came through integration between areas that previously could not see its impact in each other. Since we are dealing with the reporting process, it is possible to understand the real dynamics of the relationship in the company, both from professionals and



process and it is quite interesting and helpful. Collaborative work is another great incentive that GRI provides.

#### **4. What has been the feedback from the organization's stakeholders to this new reporting format?**

Over the past two years, Natura bet in a different format, more friendly and easy to read, so that, we decided to develop, according to our stakeholders opinion and suggestions as well, a report much like a magazine, both in format and in language. The advantage of this change, which also was accompanied by a new website as we understand the importance of spreading information in various languages and channels (and printed reports will become increasingly less common), is that we can access different stakeholders. Nowadays, annual reports do not affect only shareholders, but opinion leaders of various profiles and cultures and it is very rich for Natura as it became a very qualitative way to communicate and being in touch with our different stakeholders. We believe it also encourage them to be well informed about sustainability.

#### **5. What is your recommendation for reporters starting this reporting journey?**

Natura believes that transparency with stakeholders and good governance are essential in its management. The Annual Report only confirms this, as the differential of the company has always been to convey the clearest possible way our highlights, but also our lowlights, with the recognition that we are always learning and trying to improve our processes. We know this is a long and continuous path to all corporations, but for those who do not have this premise, we strongly recommend that you begin to think in a systematic way about their business and its impacts, as there is a massive interconnection of relationships, people, processes, that should result in outcomes not only for the company but for all involved and, above all, to the society. Natura believes strongly that companies also have an important social role and its business is beyond costs and profits.

### **4 REPORTERS' PERSPECTIVES**

GRI invited representatives from a selection of 52 companies that had published an integrated report in all years (2010-12) to provide comments about their company's motivation and experience. The written answers that were received from 18 of those companies were in response to set questions posed by GRI. The companies that responded are from a variety of sectors: financial, pharmaceutical, crop science, consumer brands, energy, construction and engineering, and aero transport. The respondent companies came from different parts of the world, including: Australia, Brazil, Denmark, Finland, Germany, Hong Kong, Netherlands, Norway, Philippines, Spain, South Africa, Switzerland and the USA. A summary of their responses is captured below. See Annex 1 for the list of companies and their complete answers.

#### **Why did your organization start to combine financial and non-financial reporting? Who made the decision?**



There seem to be several reasons why companies embark on integrated reporting: (i) to avoid or break down internal silos; (ii) to meet stakeholder expectations and (iii) overwhelmingly, because integrated reporting is regarded as the natural, logical expression of their intrinsic business model.

i. Silo-busting

For some companies, there is concern that the development of separate annual and sustainability reports will lead to corporate silos and inefficiencies. Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines in the USA, describes integrated reporting as the corporate response to a challenge issued by the company's CEO regarding the inefficiency of separate sustainability and annual reporting processes. Similarly, at Ballast Nedam of the Netherlands, Susanne IJsenbrandt, Senior Advisor in Sustainability Services, describes how the CEO steered the company away from the development of a separate sustainability report which could silo the topic, and instead drove towards an integrated report with a vision of sustainability and CSR being sustainability embedded in the core 'genes' of the business.

ii. Giving stakeholders the full story

For other companies, external stakeholders are an important driver of the need to provide an integrated narrative about their business operations. Javier Perera de Gregorio, the Organization and CSR Director for Enagás of Spain, describes integrated reporting as: 'an exercise in transparency demanded by all stakeholders, especially by the increasing number of investors that include financial and non-financial criteria in their investing decisions.' Similarly, the CSR Department of Inditex in Spain describes various motives for integrated reporting, including 'seeking to provide a clear image of how the company creates value' for its stakeholders.

iii. A natural, strategic fit

However, common to all companies which participated in this survey, seems to be a sense that integrated reporting is the natural expression of a corporate strategy that has sustainability at its core. Bjørn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department in Denmark, describes the company's move to integrated reporting as 'a natural step', growing out of the company's commitment to the triple bottom line. Similarly, Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport in Germany, states: 'since we have the issues of sustainability fully integrated into our strategy, it was just a logical consequence to describe our business in a holistic way, using just one instrument of reporting.' And again, Marina Prada, Senior Corporate Responsibility Manager for Syngenta in Switzerland, describes integrated reporting as 'a natural evolution which resulted from our strategy.'

Nearly all the corporate respondents use language which describes sustainability as intrinsic to their business model, to the extent that having two separate report would in fact be counter-intuitive. Jowita Twardowska, CSR and Communication Director at Grupa LOTOS of Poland, states: 'the application of two separate financial and non-financial reporting systems would be in conflict with the uniform and coherent vision of our business. It would make it difficult for stakeholders to assess the company's plans and accomplishments in a complete manner.' Similarly, Hilde Røed, Statoil's Principal Consultant for Corporate Sustainability in Norway, states in her response to this question regarding the corporate motivation for integrated



reporting that: 'sustainability is an integrated part of our business, not a stand-alone endeavor.'

In all instances, the decision to support and pursue integrated reporting was made by the top management of the company.

### **What are the main challenges when preparing an integrated report?**

The corporate respondents tended to identify three sets of challenges when it comes to the preparation of an integrated report: (i) the need to win organizational buy-in for a new or different approach to reporting that may well challenge existing silos and prevailing operating culture; (ii) content issues and the wish to ensure the report is appropriately succinct and focused; and (iii) issues to do with data quality and the level of sophistication for non-financial measures as opposed to more established financial measures, and associated challenges of assurance.

#### i. Buy-in and culture change

For some organizations, the introduction of integrated reporting is seen as a culture change opportunity. Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, expresses this clearly: 'our challenge is to interlock both reporting processes more closely. The discussion about how to do this is very helpful in defusing 'silo thinking'. This also helps to push cultural change, because there are lots of positive results, such as finding new synergies between departments, heightening internal focus on sustainability and uncovering long-term cost savings.'

Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines, similarly talks about the need to 'get buy-in from various groups' and Javier Perera de Gregorio, Organization and CSR Director for Enagás, describes the challenge of breaking down silos to uncover and link information in ways that demonstrate the company's story of value creation. Jacqueline Nichi, Corporate Communications Coordinator at Natura, in Brazil, one of the most long-running practitioner of integrated reporting, talks about the importance of empowering employees to thinking strategically – 'for the report is the result of triple line management embedded in the company'.

In the Philippines, Enrique Florencio, Head of Knowledge Management at the Association of Development Financing Institutions in Asia and the Pacific (ADFIAP), identifies leadership and commitment, alongside building the business case for transparency, as key challenges in his community.

#### ii. Balanced content

For many companies, a key challenge revolves around 'finding the right balance' when it comes to the possible contents of the report. Lauren Owens, the Corporate Responsibility Performance Manager at The National Australia Bank, discusses 'the need to ensure that integrated reporting does in fact simplify rather than complicate reporting, in an already heavily regulated environment.'

Bjørn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department, identifies the fundamental challenge of 'balancing three dimensions in a limited space.' At Syngenta, Marina Prada, Senior Corporate Responsibility Manager, similarly discusses: 'how to include what is really material to our business and industry versus reporting on a vast range of topics and indicators because it seems common practice. We would like to report what really matters, but we find it challenging to address the reporting expectations of all stakeholders.'



### iii. Data quality and assurance

A repeated challenge across many different companies regards data gathering and its assurance, as explained by the CSR Department for Inditex: 'Integrating financial and non-financial information can be challenging in terms of measuring non-financial data. In order to produce a reliable, balanced report, ESG information is treated with the same rigor as financial information. Inditex has to develop and implement internal processes and protocols to collect and analyze this information.' Marina Prada, Senior Corporate Responsibility Manager at Syngenta similarly identifies a challenge in the difference between financial and non-financial data with regards to quality, the timing of collection and maturity of systems and processes. The view at Natura from Jacqueline Nichi, Corporate Communication Coordinator, is that 'the main challenge today is technical' and that the evolution of IT and data systems will play a part in improving and helping to drive integration.

## **To what degree has the GRI reporting process helped your organization prepare an integrated report?**

Various reporters describe GRI reporting processes as a type of 'a roadmap', 'baseline' or 'reference point' in their development of an integrated report – with GRI helping them (i) to appraise what may be considered material at the outset of their reporting process, or (ii) to provide a check-list for reflection after their report has been compiled. At the same time, reporters also grapple with (iii) the volume of disclosures that they could report within the GRI Framework and how to focus on what is material.

### i. GRI as compass

Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, refers to GRI as if it were a type of compass or sounding board: 'combining both reports, we followed the storyline of sustainability reporting. Reporting against the GRI Guidelines helped us right from the start to answer the question: what does it take to be a sustainable company?'

Jacqueline Nichi, Corporate Communication Coordinator at Natura, similarly observes: 'the GRI Guidelines really helped to widen our comprehension of different aspects of our business, from work security to diversity. As a result, the Guidelines helped us systematize a process of thinking ahead, including reflection on possible solutions and opportunities, and enabled full analysis of risks associated with different themes.'

### ii. GRI as check-list

Other organizations describe using GRI as a useful reference point or perspective that is secondary to their individual corporate approach to integrated reporting. Marina Prada, Senior Corporate Responsibility Manager at Syngenta, explains: 'our reporting approach and report structure were driven by our strategy and the associated communication needs. GRI provides a holistic view on external stakeholders' expectations.'

Similarly, the South African Eskom's Ian Jameson, Chief Advisor on Climate Change and Sustainable Development, writes: 'the GRI Guidelines (specifically the Electric Utility Sector Supplement – EUSS) do not drive the content development, but rather the other way round, where Eskom first prepares the report around the material issues and then checks and reflects on the inclusions and/ or exclusions of some of the EUSS indicators in the content.'



### iii. The challenge of focus

Several reporters are concerned with the breadth of GRI Guidelines reporting disclosures and that there is a need for guidance on how to focus the content when it comes to integrated reporting. Marko Vainikka, of the Corporate Relations and Sustainability Department at Wärtsilä Corporation in Finland, observed: 'GRI of course provides the contents for sustainability reporting, but unfortunately it does not give significant guidance for integrated reporting. The number of details and different indicators needs to be reduced in integrated reporting.'

At Statoil, Hilde Røed, Principal Consultant for Corporate Sustainability, also observes GRI's 'onerous management disclosure requirements and very detailed breakdown of performance indicators' and suggests that: 'integrated reporting would benefit from drawing upon a limited set of key performance indicators, and the GRI Framework should allow disclosures of management approach to be presented in detail elsewhere.'

### **How have stakeholders responded to the integrated reporting format?**

Without exception, all companies recorded a positive response from their various stakeholder communities. Denise Pronk, CSR advisor at Schiphol Group's Corporate Affairs Directorate, summed up the benefits from the reader's perspective: 'all the relevant and material information is available in one report and the reader does not have to switch between a financial annual report and a sustainability report. An integrated report is easier to read because it has more narrative than traditional annual reports.' Jacqueline Nichi, Corporate Communication Coordinator at Natura explains that Natura has gone further and experimented with its report's format so that it is 'more like a magazine, in format and language', making it 'more friendly and easy to read', supported by a new website that provides further information for different stakeholder groups and in different languages.

The National Australia Bank and Novo Nordisk both acknowledge that integrated reports may sometimes omit information that is of interest to certain stakeholders and that it's 'essential' to provide that information via other channels. The National Australia Bank publish Dig Deeper papers to provide more insight into particular issues, and Novo Nordisk also emphasize the need to reach out to stakeholders who may need information or engagement additional to that provided by the integrated report.

### **What recommendations do you have for reporters setting out on the journey of integrated reporting?**

Companies with experience of integrated reporting have a variety of recommendations for newcomers to the field. These are in particular: (i) the importance of effective internal engagement to build understanding and support; (ii) the degree to which business models and strategies with sustainability at their core will naturally incline to integrated reporting; and (iii) the importance of a clear narrative built around material issues.

#### i. Internal support

Rodrigo Santos Nogueira, General Manager of Banco do Brasil's Sustainable Development Unit in Brazil, emphasizes that: 'concern for sustainability must permeate the entire organization and help it to reflect on its products, processes and services, since the report is a reflection of management.'



The Inditex CSR Department recommends: 'as a first step, it is necessary to break any information silos and obtain a 360 degree view of how the company creates value over time. Once this is done, it is important to focus and define which issues are material for the company and should be reported.'

Marilee McInnis, Senior Manager of Community Relations and Giving at Southwest Airlines, is similarly clear on key steps: 'form a cross functional company team, gain buy-in from all levels; start small, and aim to improve each year.' This advice is echoed by the Schiphol Group: 'commitment from the top is crucial, as is the involvement of multiple disciplines and heads of several business and corporate units, including the corporate strategy unit.'

## ii. Reflection of strategy

Many reporters refer to the complexity of developing an integrated report, but also emphasize that it is an activity which will help an organization, ultimately, to simplify and join up its thinking and learning along the way.

Dr. Monica Streck, Director of Strategic Sustainability Management at Munich Airport, observes: 'first think about how to include sustainability into your strategy and your business model. Doing this, you start with an integrated way of thinking. Since reporting is a description of your business in a transparent way, this is a good starting point for your journey.'

Marina Prada, Syngenta's Senior Corporate Responsibility Manager, similarly observes: 'if there is integrated thinking in your organization and CR is part of your company strategy, then a move towards integrated reporting will be just a natural and logical development.'

Javier Perera de Gregorio, Organization and CSR Director for Enagás, describes how the company's report was structured 'around the value chain, showing how the company obtains results and impacts through its strategic plan, and the resources, governance model and risk management it employs in its business processes.'

## iii. Focus on material issues & clear narrative

Bjørn von Würden, Programme Manager in Novo Nordisk's Corporate Sustainability Department, has one succinct recommendation for new comers to integrated reporting: 'focus on what is material for the company.' Wärtsilä Corporation also emphasizes the importance of 'really finding the core messages and right balance between financial and non-financial issues.' Hilde Røed, Statoil's Principal Consultant for Corporate Sustainability, again encourages focus: 'select a limited set of indicators, rather than covering the entire GRI reporting requirements in the report, and use other formats as supplements.'

Finally, Lauren Owens, Corporate Responsibility Performance Manager for National Australia Bank, neatly sums up the overall opportunity for companies considering embarking on integrated reporting. She says: 'get started – it's only growing, so chance you will have of approaching integrated reporting in a proactive, rather than reactive way.'



## Public Consultation G4 Reviews from Natura to GRI

### I. Strategic vision of the proposal referent to the GRI-G4 guidelines, offered for public consultation:

#### Motivation

We have initiated our reflection as of the 5 objectives that have motivated GRI to propose G4:

1. *User-friendly and easily to understand and use;*
2. *to improve technical quality, eliminating ambiguities and differing interpretations;*
3. *to harmonize with other international standards;*
4. *to improve guidance on identifying 'material' issues;*
5. *link the sustainability reporting process to the preparation of an Integrated Report, aligned with IIRC.*

However, the material offered to the public consultation, sufficient clarity regarding the MOTIVE and PURPOSE is inexistent and for that reason, GRI has decided to propose a new generation of guidelines, which is essential for a more strategic analysis. Upon having reflected about the matter, it is our understanding that GRI's essential motivation in proposing a new generation of guidelines, would be that of adapting its offer in a current context of the sustainability movement, predominantly comprised of a demand for organizations and stakeholders to make a legitimate, integrated move towards expand action, scale and speed of change in organizations. The world (including GRI's target public) currently desires a means to decide and act promptly in an integrated, systemic manner.

#### What is the core issue?

Assuming the essential motivation described above, the following question would be to what extent is such motivation served by the objectives proposed for G4?

As of this issue, we have assessed that the proposal forwarded for public consultation has been moving in the desired direction (totally or partially meeting objectives 1 to 4), although still not representing a leap in the history of the GRI guidelines.

Therefore, we interpret objective 5 as a representation of an emerging trend and we compare some of the characteristics of the GRI and IIRC proposals. This exercise, summarized in the chart below, is an analytical exercise with no pretense of either exhausting the topic or judging proposals but on the contrary, to AID us in understanding possibilities and challenges contained in the part played by a new generation of GRI guidelines and their connection to IR.

<b>COMPARING SOME ESSENTIAL GRI AND IIRC CHARACTERISTICS</b>	
<b>GRI</b>	<b>IIRC</b>
Oriented to <b>reflection</b> , self-knowledge	Oriented to <b>action</b> , decisive information
A context is born where priority lies with <b>raising awareness</b> about the challenges of sustainability ( <b>early 90's</b> )	A context is born where priority is gaining mass, scale and speed in <b>integrated decisions</b> that point towards sustainability ( <b>2010</b> )
Gives priority to a theory of an " <b>inside-out</b> " change: when reporting, the reporting organization starts analyzing its practices and implications, gradually incorporating changes to its way of being and making decisions	Gives priority to a theory of an " <b>outside-in</b> " change: influent decision-makers, well-informed on risks and opportunities linked to sustainability will put pressure on their organizations, demanding effective changes
Transparency and public commitment – both internal and external – generate change through <b>moral commitment and reputational risk</b>	Disclosure of material information in an integrated manner and destined to support third decisions extends, similarly to financial reporting process, the <b>corporate responsibility, including legal aspects</b>
Seeks <b>profound</b> , detailed, comprehensive <b>knowledge</b> , prone to generating long reports	Seeks <b>knowledge</b> that is <b>essential</b> to decision-making, prone to generating focused, condensed reports
Privileges report, a <b>contextual and factual discourse</b>	Privileges register, <b>strategic discourse integrated to the economic context</b>
<b>SOME RISKS AND LIMITATIONS</b>	
<b>Excessive information</b> makes it difficult to identify what is most relevant and to arrive at decisions	<b>Lack of comprehensiveness</b> may create a risk of poorly-informed or distorted decisions
Despite encourage and empower a materiality analysis, in practice is there <b>high demand to consolidate information</b> when not all of those may be material to the	Consolidating and managing only material information to attend Integrated Reporting requirements may result in <b>superficiality</b> or difficult <b>comparability</b>

organization. Companies decide to provide more information even if not are material to not take risks for lack of transparency	
Laborious processes and extensive reports may <b>decrease attractiveness for potential users</b> and reporters	Hermetic language geared towards specific audiences may <b>restrict actual transparency</b>

The reflections above show that although GRI and IIRC have been spawned from different contexts and perspectives, they are however geared towards the same purpose: making organizations' management practices more sustainable. For such, they embrace distinct strategies although they use a common instrument, which is the reporting process.

We believe that the reflection above points out to positive paths indicating that there is space for complementing through the accumulating of experiences, savvy, and the generating of synergy in benefit of producing, report-using organizations, their stakeholders and, above all, the encouraging of more sustainable management practices, investment decisions and consumption. This is the contribution that must orient the formulating of a new generation of GRI guidelines.

In a context such as this, one of G4 essential parts should be that of an "**enabler**" of **an integrated report** allowing users of the current GRI guidelines to more easily obtain elements that may be utilized in a future process of Integrated Reporting.

In order to play this part, G4 should analyze to which extent and in which manner their products (reports, processes and in which capacities the GRI reporting activity induces in the reporting organizations) are going in this direction. With this context, we can see a scenario where the GRI reporting is not replaced by IR, but instead, becomes an essential element for organizations to maintain levels of knowledge and reflection that can guarantee consistency and rationale for its integrated reportings.

### **Proposals for adjustment and considerations on the GRI/G4 proposal being consulted:**

Bearing in mind the above mentioned analyses of strategic character, we have formulated some overall considerations referent to the G4 proposal also including some specific points.

#### **General view**

One of the main strengths of the G4 is that it expands the boundaries by focused on the management of impacts in the value chain. Another key point is materiality, which brings greater depth on issues that are really important for the business, reinforcing the concept that the report is not only a compilation of facts and data, but a reflection of the company's management.

However, G4 still needs to overcome a few challenges:

- a better balance between being very detailed and complex and at the same time, concise and integrated. There is a dichotomy between these issues and, with so many details, companies can get stuck in a more tactical than strategic point of view;
- reduce subjectivity and clarify what is expected with the proposed changes;
- combine efforts to provide subsidies for companies in order to help them to have an integrated reporting (social, environmental and economic);
- On applying the guidelines, there should be a clearer intention and message that should assist the reporting organization to produce more focused and more objective reports that give highlighted visibility as to what is in fact more important for the business and its stakeholders.
- There should be a clearer intention for producing a report that will directly serve the purpose of supporting decisions made by managers and interested parties, further to giving support to the organization's process management's knowledge and capacity.
- Orient reports in the sense of including with greater highlight, those elements geared towards the organization's perspective for the future (future outlook) than to its current or recent past situation: carry more of "where we want to go" and less of "where we are now".

## Materiality

A major challenge is to demonstrate graphically how the materiality matrix reflects the value chain. The G4 has evolved to expand the limits but still does not provide enough subsidies for how companies should consider the "where" in the materiality matrix.

The graph of the matrix should reflect a three-dimensional axis, ie, besides internal and external, it should indicate in which activity or point where the impact is generated.

The expansion of social management also deserves attention in order to identify not only the impacts but also the **dependence on ecosystem services**. When looking only impacts we expose initiatives already completed (total of water consumed, generated waste, etc.) and it does not deepen the history and context of this result. A look of causes and dependencies would allow a future management of socio-environmental issues in an integrated manner and further broaden the reflection of the company in relation to their responsibilities to society and the environment. The GRI



has developed some studies on the subject and G4 cites ecosystem services but they are not yet fully integrated.

The vision of stakeholder could also be strengthened. Rather than consider only the priorities of the public to materiality, GRI could boost a management / reporting of the results also including the perspective of stakeholders impacted to achieve them. Many of them affect many stakeholders, but today it is only possible to access it from the point of view of the company. With the change of G4 to a vision with greater focus on impacts, besides to control them, companies could evaluate them in the context of its performance.

### **Application Level**

Application levels have been one of the most controversial topics among the proposed changes. We believe that the return of "in Accordance" may be an involution in the guidelines because it puts all companies in the same level, regardless of their level of maturity. Also, it does not facilitate the evaluation of the quality and performance of companies. We believe that the proposal should meet the evolving application levels and not its elimination, considering that such proposal still does not solve the core problem which is lack of clarity in reference to quality and performance levels in the organizations.

When thinking of alternatives for the Application Level topic, one must first have a full clarity view of what the GRI with G4 objective is: could it be broadening the disseminating of its guidelines at different companies? Transforming and innovating management? Educating?

- We recommend that certain issues be considered:
  - Could renaming levels help reduce the clutter and solve the core problem?
  - Could self-declaration be an option?
  - What about the third party verification "+" issue at preserving "in accordance"? Plus sign or not "+"?
  - Would it be possible to create a model in which the role verification is actually evaluate the organizations' quality and performance?

### **Supply Chain**

It is necessary and positive to expand our look to the whole chain, however, the proposal is still confusing, with many "repeated" indicators or some of them are very similar.



We see an opportunity to better grouping indicators and broaden perspectives beyond chain performance, for instance, demonstrating how the company encourages the development, education and innovation in their supply chain.

Considering that many of the proposed indicators seek to broaden the assessment of impacts in the supply chain, we understand that there is a great difficulty in comparability since there are different impact-assessment methodologies available, which depending on the depth and quality of the assessment made by the organization, may produce totally different results.

## **Governance**

It is positive to expand and strengths Governance issues, however, as well as other G4 issues, the proposals are still confusing and complex, with many “repeated” indicators or some of them are very similar and also not clear enough.

The role of the highest governance body to monitor and/or require that the topics are accompanied TBL should be the focus of Governance´s guidelines.

It is important that the highest governance body consider stakeholder issues and assess how is their relationship between the company, however it is not their role having direct contact with them. Some indicators could be reevaluated that refer to this issue.

Evaluate a better segregation of labor relations at the highest governance body and other executives, because counselors often don´t adopt the same model of labor that other executives in the company.

Indicators that address the ratio between the highest and lowest paid could be reassessed to consider other topics that could add value in the relationship between employees, such as promoting employment generation, working conditions, training and professional growth, the wage gap itself doesn´t add development.

## **PUBLIC CONSULTATION QUESTIONS**

1. Do you believe that the greater focus on materiality introduced in the G4 Exposure Draft will assist organizations in better defining report content, boundaries and issues so as to contribute to better and more relevant reports (as opposed to longer reports)?  
 Yes  
 No, please clarify: \_\_\_\_\_



2. Is the G4 Exposure Draft (including the new structure) clear and understandable in terms of what is expected of organizations for the sustainability report to be in accordance with the guidelines?
  - Yes
  - No, please suggest how it could be improved: lack of clarity about the purpose of G4, dichotomy between complex and complicated, and lack clarity and guidance on the way towards an integrated report. PLEASE SEE ADITIONAL COMMENTS AT THE END (Strategic vision of the proposal referent to the GRI-G4 guidelines, offered for public consultation)
  
3. Does the G4 Exposure Draft clearly explain the interaction between the guidelines, the technical protocols and the sector supplements?
  - Yes
  - No, please suggest how it could be improved: \_\_\_\_\_
  
4. Do you think that the G4 Guidelines can apply to organizations of various sizes in your region?
  - Yes
  - No, please clarify: \_\_\_\_\_
  
5. Do you believe that the G4 Guidelines will drive the cost effective preparation of a sustainability report for all organizations?
  - Yes
  - No, please clarify: clear evolution being the focal point of materiality, however the guideline remains comprehensive and complicated, with many breakdowns and too much information. PLEASE SEE ADITIONAL COMMENTS AT THE END (Strategic vision of the proposal referent to the GRI-G4 guidelines, offered for public consultation)
  
6. Have the proposed G4 Guidelines achieved a proper balance between the economic, governance, environmental and social indicators?
  - Yes
  - No, please clarify: same as above - clear evolution being the focal point of materiality, however the guideline remains comprehensive and complicated, with many breakdowns and too much information . PLEASE SEE ADITIONAL COMMENTS AT THE END (Strategic vision of the proposal referent to the GRI-G4 guidelines, offered for public consultation)

#### **Governance & Remuneration**

1. Do you consider the proposed disclosures related to Governance & Remuneration disclosures appropriate and/or complete?
  - Yes



No, please clarify: proposal too confusing, with many breaks and low clarity.  
Recommendation to group better, be more concise and clearer in the objectives.

2. Do you have other general comments related to Governance & Remuneration?

#### **Disclosure on Management Approach**

1. Do the requirements for Disclosures on Management Approach offer sufficient flexibility to enable organizations to provide answers that will add value without making the report unduly repetitive and lengthy?  
 Yes  
 No, please clarify: \_\_\_\_\_
2. Do you consider the proposed Disclosures on Management Approach an improvement over the current approach?  
 Yes  
 No, please clarify: \_\_\_\_\_
3. Do you consider the proposed disclosures related to Disclosures on Management Approach appropriate/ and or complete?  
 Yes  
 No, please clarify: \_\_\_\_\_
4. Do you consider the proposed guidance provided to support the Disclosures on Management Approach appropriate and/or complete?  
 Yes  
 No, please clarify: \_\_\_\_\_
5. Do you have other general comments about the Management Approach Disclosures?

#### **Supply Chain**

1. Do you consider the proposed definitions of “supply chain” and “supplier” appropriate and complete?  
 Yes  
 No, please clarify: \_\_\_\_\_
2. Do you consider the proposed supply chain-specific Indicators to be effective measures for performance and feasible to report?  
 Yes  
 No, please clarify: very comprehensive, dichotomy between complex and complicated, many new indicators and greater focus on evaluation. It should be more focused on management.

3. Do you consider the proposed disclosures related to supply chain appropriate and/or complete?  
 Yes  
 No, please clarify: \_\_\_\_\_
4. Do you consider the proposed guidance provided to support disclosure on supply chain related issues appropriate and/or complete?  
 Yes  
 No, please clarify: \_\_\_\_\_
5. Do you consider the proposed supply chain-related references appropriate and complete?  
 Yes  
 No, please clarify and suggest references: \_\_\_\_\_
6. Do you have other general comments related to the Supply Chain Disclosures?

#### **Boundary**

1. Do you think that the new version of the Technical Protocol helps organizations to express better the relationship between material topics and value chain?  
 Yes  
 No, please clarify: despite a clear evolution to consider the value chain and particularly its impacts, the guideline remains overly broad and confusing. There's a challenge to compare different methodologies for assessing and evaluating impacts on the value chain.
2. Do you think mapping the value chain is a helpful exercise for defining boundaries of material topics?  
 Yes  
 No, please clarify: \_\_\_\_\_
3. Is the difference between the term "Aspect" and "Topic" clear when each term is used in the Technical Protocol?  
 Yes  
 No, please clarify: It's not so clear what purpose this question (very punctual), wasn't possible to perceive the differences proposals
4. Do you have other general comments related to the approach for setting boundaries proposed in the Technical Protocol?  
Insufficient subsidies enough of how companies should consider the "where" in the materiality matrix. The graph matrix should reflect a "three-dimensional" axis, ie, besides internal and external, indicate where the impact is generated. One possible solution would be to keep the two-dimensional proposal, but complement it with a table correlating the issues identified as material to the various links in the value chain.  
Strengthen stakeholder vision also at results and performance indicators.  
Consider next evolution of materiality considering not only impacts but socioenvironmental dependencies.



### Application Levels

1. Do you agree with the proposal to discontinue with the Application Levels and to replace them with criteria that define when a report has been prepared "in accordance with" the G4 Guidelines?
  - o Yes
  - No, please clarify: the proposal doesn't solve the central problem of lack understanding regarding the performance of organizations, and is an involution in the GRI guidelines, which may even discourage companies that engage in high-quality reports
  
2. Do you support the introduction of transitional provisions to allow new reporters two reporting periods in order for their reports to gradually be in accordance with the G4 Guidelines?
  - o Yes
  - No, please clarify: dois períodos pode ser muito para algumas organizações e pouco para outras. The number of periods for compliance should be defined and justified by each organization through a CEO public declaration, included in the report.