The IIRC welcomes comments on all aspects of the 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 Framework are also encouraged through the questions.****

KEY POINTS

First of all, I want to express how tremendously exciting it is to have the opportunity to issue comments on this Consultation Draft. I commend the IIRC for soliciting perspectives from as many stakeholder groups as possible. While it may be difficult to sift through all the various perspectives, in the end it will lead to a more thorough Framework that can be put into practice sooner. I was personally empowered by Peter Bakker's call to revolutionize corporate reporting in his article, "Accountants Will Save the World," published in March 2013.

But yes, is there ever a need to innovate within accounting. The need is incredibly urgent. It is fairly obvious by this point that our existing reporting framework, which is limited to viewing all activity and performance through a financial, short-term historical lens, is slowly becoming archaic relative to the needs of society (note: society is not the same as the financial markets, investors, or creditors). Corporations are increasingly unscrupulous about pursuing short-term profits no matter the consequences. What corporations are required to report at this current juncture only exacerbates this problem. The 24-hour news cycle chews up earnings news about public companies each quarter, going to the extremes of judgment of performance in an attempt to grab attention for their own selfish ends. Pundits soon forget the news and move on the next thing.

With that said, there needs to be more than a shift in just the technical standards. There needs to be a shift in how we perceive value and how we measure performance. It becomes a philosophical issue at its core. Benchmarks of value and performance should be aligned with what we ultimately want as a civilization—prosperity and progress. And so the Integrated Report is an essential first step towards rethinking how an organization communicates its activities to outsiders, and how that activity helps improve the stakeholders it owes its success to. I think that what we require organizations to disclose and be transparent about affects how they behave. If we are to have a sustainable future, corporate behavior must align with the best interests of society. Transparency will increase trust between organizations and its stakeholders.

Many of my comments incorporate a professionally skeptical view that auditors are trained to have. I have reviewed the Framework keeping in mind how a company might take advantage of a loop hole or weak spot to skirt their reporting responsibilities. After all, the Framework should be robust so that it achieves its ultimate goal of capturing a more complete view of an organization's impact.

One of my chief concerns going through the Framework is that there is a lot of acceptance of qualitative disclosure. Even though the Framework dissuades firms from doing otherwise, it leaves too much wiggle room for the firm to slant its disclosure in its own favor. If the Framework asks firms to tell their own "value creation story," that is just begging for sterile corporate-speak that paints a rosy picture no matter what. As Peter Drucker said, what gets measured gets managed. I think there should be more emphasis that quantifying value creation carries much more gravitas then simply writing a poem about it. It would be a travesty for an organization to bypass the power of Big Data to improve their reporting and live up to the Framework. If a firm can use the "unavailability of data" and "competitive harm" shields to avoid material disclosures, they will. For every 9 companies that will strive for honest transparency, there will be at least 1 that will not be, especially when it puts profitability at risk.

Another concern is the problem of bias. Yes, objectivity is addressed in later in Section 4, but <IR> must not fall into the realm of corporate marketing materials and public relations fluff. Why would a company highlight its weaknesses, even if it stated how it intended to address them? If it's a publicly traded company, it still participates in the financial markets and still pays attention to its stock price. Bias affects what a company chooses to disclose, how it determines materiality.

Independent, industry-specific standards setters may be a way to address these risks, by establishing standardization and minimum thresholds of disclosure that can be tangibly understood. These would also aid firms in their attempts to report objectively. To further aid the credibility and objectivity of Integrated Reports, third party assurance would surely help the cause.

I was also confused by: the Framework mentioning several times that information reported externally should be consistent with that used internally by management and those charged with governance, and why an organization might assume stewardship responsibilities for capital not owned and not enforced by laws or regulations. Detailed comments regarding these topics are contained in the answers below.

If you have any questions about any of the comments I have, please feel free to reach out. You can reach me at sg.radhakr@gmail.com. If there are any opportunities to help shape the Framework, I would be excited to work with you. My background, in brief: I am an associate at the PwC Boston office. I work in the core audit practice, primarily with pharmaceutical and life sciences clients. I am very close to obtaining my CPA license—I just need a month more of work to fulfill the qualifications. I have already passed the examination and educational requirements. I am interested in finding ways to shepherd business towards a more socially-beneficial arrangement, i.e. merging money and meaning. This could be through helping accounting evolve (like I am with my comments here), or by working as a social entrepreneur and applying my skills on the ground.

Note: I use terms like firm, company, corporation, organization, and entity interchangeably.

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.

- The phrase “competitive harm” leaves a lot up to interpretation. I think the term could be used by companies to provide them a shield to work around being transparent with the public.

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 (paragraph 1.18-1.20).

2. Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

- I generally agree, especially with regards to “financial statements.” I can see there being a lot of intertia that would slow down integration of financial statements and reports (i.e. the 10-K in the US) into an Integrated Report. It might be better to keep the two as separate stand-alone reports to start out. It is great that they are linked, as it promotes “interaction with other reports,” which I think would help promote transparency in a simpler way. The user should not have to sift through sections of the company’s website in order to find the reports they need; it is the responsibility of the firm to make it easier for the reader to navigate all relevant reports and communications.
- To add to this point, there is no need to reinvent the wheel as far as technical financial accounting standards. Here in the US, the standards are heavily rules-based. Therefore, I like the clause “complement material developed by established reporting standard setters and others.” Separate but not mutually exclusive. The Framework does well here. The phrase “may reference examples of indicators and measurement methods developed by others” is good too—it provides the IIRC flexibility to borrow from what is already out there.

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?

- An online database of authoritative sources developed by established reporting standard setters is a must. It would be best to start with bodies of literature that early adopters would need. So for example, if Southwest Airlines and Unilever are considered early adopters that have pretty robust disclosures, then focus on collecting sources that would be relevant to the industries that those two companies are in.
- Obviously, you’d want to have all financial accounting standards off the bat, including US GAAP and IFRS standards. But bring in enough non-financial accounting authoritative sources to show firms issuing Integrated Reports that there are other established lenses through which they can evaluate their company’s performance and ability to build value, including human development benchmarks (if the UN does this for countries, why can’t the same principles be applied to corporations?) and sustainability reporting.

Other

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

- 1.7: If stakeholders are more broadly defined than they would be for financial statement disclosures (such as a 10-K for a US public company), how might the content of the report need to be simplified, if at all, in order to be usable by all of the stakeholders mentioned (“employees, customers, suppliers, business partners, local communities, legislators, regulators, and policy-makers”)? Would this water down the report? The Framework mentions that the reporting firm should tell its “value creation story”; if firms are telling a story that needs to be usable to the wider variety of stakeholders, would it leave firms wiggle room to gloss over potentially critical matters?

- 1.13: Without specific required disclosures or required KPIs, the definition of materiality and how it is measured is super important. Please keep this in mind.
- 1.20: “Future orientation” may become more difficult to audit, or may require new audit methodologies to be developed. This auditing challenge impacts the answer to Question 20. Much of US GAAP is based on historical measurement, and is only future looking to the extent of estimates or fair value calculations. Auditing standards have been built to fit backwards-looking statements. New auditing standards would be necessary to adapt to providing assurance on future-oriented disclosures.

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?

- 2.19 says that organizations need not adopt the categories of the capitals, as defined in 2.17. Think about including a note that the level of disclosure should be proportionate to that particular capital’s materiality to the business’s value creation process. Not saying it should be in there, but is worth consideration.
- Capital with common ownership, especially natural capital such as the water in a river, falls into a “tragedy of the commons” phenomenon. Can <IR> address this risk? How would reporting for commonly owned/used capitals differ from privately owned capitals? Answers to these questions also affect 3.21, which describes an organization’s stewardship responsibilities for capitals it doesn’t own.
- I can see how Intellectual Capital and Social/Relationship Capital are distinctly different, but I don’t exactly see how Human Capital is different from the other two people-related capitals. Can this distinctiveness be made more clear, so long as Human Capital is retained as a form of capital in the next draft?

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

- Figures 2 and 3 do a great job of illustrating the individual firm’s role in the value creation process. I also like how Figure 4 illustrates the capital hierarchy because it puts into perspective existential interdependencies. Financial and manufactured capitals depend on the people that help provide a basis for their value, and everything ultimately depends on the natural environment to function.
- 2.14: Interesting point that turns things previously expensed and thought of as administrative overhead into capital adds, bringing these activities into the “Balance Sheet perspective.” Investments in employees do increase the value of the firm.
- 2.24: This paragraph gives companies the opportunity to qualitatively represent their use of capitals through narrative description. However, I can see companies using the “unavailability of reliable data” defense (from 1.11) to dilute their disclosures around the last 4 forms of capital. What incentive is there for them to collect data, which aids in comparability of performance across organizations, if they don’t need to collect it? This might be where authoritative sources and independent standards setters play an important role in helping firms quantify their performance.

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?

- I think it’s a fair definition, after consulting some definitions I found online (included below for comparison purposes). It’s good that all terms within this definition are defined within 2C. Note that other definitions of “business model” focus on how the company will ultimately generate enough revenue to be profitable for the foreseeable future. The focus is P&L oriented. I should mention that business models have been incorporated into accounting standards by the IASB & FASB, for example, as a criterion for determining whether an entity’s financial assets should be measured at amortized cost or fair value, and how they should be classified.
- Business model definition, from Investopedia: “The plan implemented by a company to generate revenue and make a profit from operations. The model includes the components and functions of the business, as well as the revenues it generates and the expenses it incurs.”
- Business model definition, from Wikipedia: “The rationale of how an organization creates, delivers, and captures value (economic, social, cultural, or other forms of value); it defines the manner by which the business enterprise delivers value to customers, entices customers to pay for value, and converts those payments to profit: it thus reflects management’s hypothesis about what customers want, how they want it, and how an enterprise can organize to best meet those needs, get paid for doing so, and make a profit”

- Business Model Generation (a framework applied by corporations and start-ups alike), key components: Key Partners, Key Activities, Key Resources, Value Propositions, Customer Relationships, Channels, Customer Segments, Cost Structure, Revenue Streams

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?

- I generally agree. I think a figure should be added illustrating a simple x-y axis, with Positive/Negative Outcome in one direction, and External/Internal Impact in the other direction. This might help firms visually present outcomes of their business activities.
- More should be included to differentiate outputs versus outcomes.

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 (Section 4E).

- "Key outcomes" as described in 4.22: How do you address the organization's fear of not wanting to speak to outcomes that they have indirect involvement in, but are often out of their control, especially negative ones? For example, if a business model runs into problems of saturation, and its only way to be "resilient" is to apply their existing model to new markets, resulting in profitable, yet socially negative outcomes, wouldn't they want to twist the narrative? Specifically, I am thinking of a company like Washington Mutual, which in the mid 2000's was entering into thousands of subprime mortgage arrangements due to saturation of the prime mortgage market. They had to adjust their model in order to maintain profitability. They only became the largest bank failure in American financial history, sending shockwaves through the global financial system, as well as bringing suffocating debt burdens over the heads of many Americans. While these outcomes were out of WaMu's control, they surely could have been foreseen, the company's hubris notwithstanding. How do you address the risk of non-disclosure?
- 4.24: Conglomerates should inherently bear greater reporting responsibility to users, as their hands are in more industries and ultimately affect more people and geographies.
- 4.25: We should at least be privy to know how major segments generate value and support the parent, especially when the "corporate center" is a holding company

Other

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

- Consider increased explicit emphasis on an organization's business model, perhaps in the introduction section 2A. The business model is the vehicle through which the firm creates/destroys value. A business should be aware of whether its business model is destroying value. Users should be able to understand the business model in order to evaluate the company's effectiveness in value creation.
- Meaning of Value in 2D: It might be a good idea to force companies to articulate what "value" means to them within the broader <IR> context.
- 2.44: Many externalities destroy value, but are traditionally ignored because they are not quantified through financial metrics. The costs of such externalities are borne by parties outside the organization (i.e. by government, by people, by the Earth). Additionally, financialization of asset ownership through arcane derivatives clouds allocations of externality impact.
- Not sure of the point of the value drivers paragraph. Will companies have to report on their value drivers? Maybe 2.45 would be better served if it more clearly articulated its importance/relevance to the concept of value and value creation, as well as the other fundamental concepts.

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?

- 3.24: The phrase "potential to substantively affect" is very vague. It leaves too much up to the company to determine materiality, especially when determining what to disclose, as detailed by 3.28. I can see situations where companies dismiss negative/unfavorable matters because they do not have the "potential" to substantively affect their business or strategy.

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

- 3.27: "Regular engagement with the primary intended report users to identify their information needs" – Do firms already do this? If they are not, would it become costly to regularly engage with primary report users?
- 5.8: There should be an explicit bent towards quantifying assessments when possible.

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?

- 3.31: There will need to be ways to gain assurance from 3rd parties that Integrated Reports are reliable and free of material error, especially for non-financial processes and internal control frameworks.

14. Please provide any other comments you have about Section 3E.
    - Balance is the crux of the Reliability and Completeness section, especially when we allow firms to report through narrative description rather than hard numbers. I do like the idea of making companies report against previously reported forecasts (they should link to these prior reports), but more needs to be done to ensure balance. Skilled corporate communicators can paint a picture of balance when in fact they have slanted their report heavily in their own favor.
    - 3.36: Industry-specific independent bodies should require standard disclosures. This would help address the risk of companies in the same industry colluding behind the scenes to avoid disclosing items that would give them bad press. Firms might be able to prove me wrong, but I don't generally see them being the best judge of whether their report is complete or not.
    - 3.39: Some organizations simply have bad IT infrastructures. By having industry-specific standard disclosures, it might be easier for IT companies to design reporting systems capable of meeting the needs of an Integrated Report. Companies that can't afford IT improvements should report how soon they will be able to implement such systems. Data capture is essential for more transparent reporting.
    - 3.42 & 3.45: "The banner of commercial sensitivity is not to be used inappropriately to avoid disclosure" and If material information is not disclosed because of competitive harm, this fact and the reasons for it are to be explained in the integrated report." are critical clauses for mandating thorough disclosure.
    - 3.44: Even though execution of a strategy leads to competitive advantage, what incentive is there for a firm to disclose their strategy, to give some other firm the opportunity to execute it?
    - 3.51: It becomes difficult to compare "value creation stories" amongst firms, as they tend to veer towards boilerplate corporate-speak. Thus, I would advocate towards industry-specific disclosures, as touched upon in 3.52. Side note: can a different word besides "story" be used? To me, story indicates to companies that they should be disclosing something that sounds pretty, rather than telling us the straight facts. Users want critical journalism, not airy poetry.

Other

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.
    - 3.5 and 3.6 are in conflict: If the future is uncertain, what choice do firms have but to use boilerplate disclosures to hedge against the risk of being wrong, and therefore criticized or sued, or to protect sensitive/controversial corporate strategy. Additionally, how would an audit be undertaken for predictions of the future? Would public accounting firms be open to this, despite inherently being able to provide less assurance about future-oriented predictions? Despite the difficulty, audits of future-oriented predictions may be critical in keeping reporting organizations honest.
    - 3.11 requires information reported externally to be consistent with that used internally by management and those charged with governance. Is this necessary? It would help to explain how this aids in connectivity of information. I can see how it aids in transparency, but not as much connectivity of information. Would the stakeholders using the Integrated Report (primarily providers of financial capital, as identified in Section 5) have the same priorities of information needs as those inside the company? Would a company's internal metrics be useful to outsiders? Would a company avoid using certain internal metrics if it knew that it would have to use them for external reporting purposes, thereby making management's job harder? 4.26 revisits alignment of external and internal reporting.
    - 3.16: Who judges whether a reporting organization leaves out stakeholder needs in order to conveniently sidestep addressing how they have come short in serving those particular stakeholders?
    - 3.21: "Where a stewardship responsibility is not imposed by law or regulation, the organization may nonetheless accept stewardship responsibilities in accordance with growing stakeholder expectations to do so, and to do so transparently." --> may vs. should – is transparency an incentive enough for a firm to accept stewardship responsibilities when not required by law or regulation? For example, would an oil company plausibly accept stewardship responsibility for depletion of the ozone layer and climate change cause by carbon emissions related to burning of fossil fuels?

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).
    - 4.4: Does linking to other reports give organizations the opportunity to offload bad news into supplementary reports? People are lazy—sometimes making an extra click, especially when it leads to another 100-page report, is enough to stop them from proceeding. Also, by having tons of reports external to the Integrated Report, an entity could potentially overwhelm readers with information, thereby disguising critical information. Yes, the Integrated Report could be concise, but IIRC doesn't have jurisdiction over the other reports.

- 4.9: Acknowledge that there initially will be a tendency for companies to report on external environment through the traditional financial lens, because of familiarity with speaking in those terms. The reporting boundary retains the financial reporting entity as its core, as well. Thus, firms will need to move away from viewing the enterprise (and business models too) as profit-making vehicles and towards an entity that holistically provides a net positive value to society/stakeholders. A good question for companies to try to answer: If my firm didn't exist, how might society/stakeholders be worse off/better off? The question would force firms to identify their value-add. In their absence, what stakeholder needs could competitors fail to address? They would sound silly to stick to corporate-speak like job creation and GDP increase, as these are limited in scope in the context of the Integrated Report, which takes a much broader view.
- 4.11: I like the point of asking the firm to connect their stated goals and values with their tangible actions. Make them walk the talk, so to speak.
- 4.12: I also like asking firms to explain why their compensation structure is the way it is. It forces them to consider whether it matches up to their goals as a firm. They should also highlight how the comp structure ties into their business model's outcomes, especially the impact on the external environment. Privacy restrictions on comp arrangements might be an issue, especially in situations where companies could hide unpopular arrangements.
- 4.16: Can we trust firms to judge what constitutes "practical" use? Perhaps they could quantify or visualize risks so they are not as easy to portray in a cookie-cutter manner
- 4.19: Force firms to define success on their own terms. This would be more meaningful than the cliché corporate-speak of "increasing shareholder value."
- 4.28: Reporting on the firm's effects on capitals gets murkier when impact is harder to quantify, especially in cases when capital stewardship is not imposed by law or regulation
- 4.29: Stress correlation, and when possible, causal relationships of financial and non-financial measures. We want to avoid arbitrary connections. I like how encouraging connectivity of financial performance with performance regarding other capitals encourages firms to communicate data across their organization. It bolsters adherence to the Guiding Principle of Connectivity of Information.
- Consistency of KPIs: If a firm finds that the metrics it has been reporting aren't really meaningful, and they decide to change KPIs, this may damage comparability in cases where data for past periods is unavailable. Often, firms will only measure what they are required to. How can firms address this possibility within the Framework?
- 4.31: Benchmarks should be part of the process of building reporting requirements
- 4.34: If an organization realizes that it needs to change its business model, why would it let that information out, especially if the timing of their shift creates a temporary competitive advantage? Firms could also work around the transparency issue by claiming later on that they had no way of knowing what would happen

Chapter 5: Preparation and presentation

Involvement of those charged with governance (Section 5D)

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?

- Yes, those charged with governance should take explicit responsibility because someone needs to be on the hook for mistakes, otherwise we run into issues like the bystander effect and hiding under the corporate veil. 5.18 does a reasonable job of covering the bases that those charged with governance should commit to
- What are the consequences of non-compliance?

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

- N/A

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?

- Hard question to answer; one possible approach is a contractor/subcontractor model, where subject-matter experts provide assurance over pieces of the report, then the main auditor provides assurance on the entire report while leveraging the sub-audits. Audits for large companies with complex transactions and accounting judgments involve subject-matter experts (risk assurance to provide comfort over IT; valuation specialists, work of other firms for international subsidiaries, etc), but the firm ultimately signs off on the total package
- My intuition says that any pieces of the Integrated Report that wouldn't have assurance provided wouldn't be taken as seriously, or could not be trusted as much as the parts that were in fact audited.

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.

- During our audits, we leverage the work of others in order to gain comfort over a company's financial statements. Since we can't audit every single thing, this provides efficiencies with low risk.
- 5.21: On protocols for performing assurance engagements – there would need to be collaboration with bodies developing GAAS (Generally Accepted Auditing Standards) to develop a section on Integrated Reports. An Integrated Report would need to be audited differently than a standard set of financial statements and financially-related internal control framework. For example in the US, it would be critical to work with the Auditing Standards Board of the AICPA.
- 5.20: Organizations should be highly encouraged to seek external assurance. It shouldn't be a mere option. If the Integrated Report is to be an organizational priority, and furthermore, is to be taken seriously, the commitment to making it credible should require external assurance. This process of soliciting external assurance should be managed by those charged with governance, specifically the Audit Committee in public company circumstances (similar to how the Audit Committee in the US handles the relationship with the auditor). Without external assurance, I believe Integrated Reports are little more than PR fluff pieces.

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).

- 5.22: By allowing firms to decide for themselves the short-, medium-, and long-term time frames, we give them a lot of power. Industry-specific guidance will help to curb firms from manipulating time frames to benefit their "value creation story." Firms should at least have to provide a brief rationale for their time frames. If "value creation lies at the heart of <IR>," as 2.37 states, then it is important for report users to understand the dimensions of value creation, specifically how the firm perceives the dimension of time.
- 5.26: If the providers of financial capital are the "primary" intended users of an Integrated Report, then to what extent to they care about the non-financial contents?
- 5.27: How do you ensure adequate marginal disclosure, beyond the Financial Reporting Entity to the extent of the <IR> Reporting Boundary?
- Reporting Boundaries: I think this is essential in order to put a cap on the amount of information contained in an Integrated Report. Otherwise, the report would be thousands of pages long. The Reporting Boundary, and requirement to only disclose Material information, as defined in the Framework, help limit the length. However, if you start with the financial reporting entity as defined by laws and regulations in defining the Reporting Boundary, how can you help reporting firms bridge the gap between the legal financial reporting entity, and the <IR> boundary? See 5.30: "The entities/stakeholders within this portion of the reporting boundary are not related to the financial reporting entity by virtue of control or significant influence, but rather by the nature and proximity of the opportunities, risks and outcomes." Firms know how to financially report, because they have in the past, but they will be less sure of how to report on relevant opportunities, risks, and outcomes.
- 5.33: With regards to dis/aggregation, there is an assumption that the Integrated Report's users have the same priorities of presented information as those charged with governance. Again, is this accurate?
- 5.39: Web-based media – reliability is a key issue with outside links, especially if the hyperlinks lead to invalid URLs or to members-only content

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 as drawn out in this draft is a great start. I think as the IIRC realizes what works and what doesn't work, it can iterate accordingly to make it better. The IIRC should continue to solicit feedback from various stakeholders when possible.
- The more reputable companies you can get on board with using Integrated Reporting, the faster it will gain traction. Hopefully, it reaches a point that if your company is not issuing Integrated Reports, it is a reputational detriment. Therefore, firms are incentivized to report.
- Integrated Reporting is feasible for large organizations who have the resources to collect data across the entity and package it according to the spirit of the Framework. As society is highly dependent on large organizations, I think this is fair. Consider keeping the Framework lean enough so that small and medium-sized enterprises can issue Integrated Reports without a crippling investment of resources. The more variety of companies we have that issue Integrated Reports, the better we can make the Framework.

Development of <IR>

23. If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?

- (1) I think more structure may be needed with regards to the Presentation of an Integrated Report, especially as there is so much information to organize when assembling one of these reports. As it is, a large corporation's 10-K is over a hundred pages long. More structure (note: this does not mean gratuitous rules) would help companies stay concise yet comprehensive. Within this topic, guidance should be provided on how to be objective and why it matters.
- (2) How to leverage Big Data to improve ease of reporting and connectivity of information
- (3) Historical evolution of organizational reporting, and where <IR> fits into that timeline, ending with <IR>'s ultimate aim/purpose

Other

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

- This comment would improve ease of user navigation within the Framework, especially as the framework gets inevitably longer and more robust and revisions are made going forward. Similar to the FASB ASC site, references to different sections should hyperlink to that section. For example, the capitals are first mentioned in 1.5. This could link to 2B or 2.12-25 where the capitals are described in detail. Also similar to the FASB ASC, it might be useful to provide users with the ability to click on key terms and have definitions for that term pop up in a small box, so that the user does not have to find where the term is originally defined.
- Going forward, can the IIRC highlight companies that have the best disclosures that are most in line with the spirit of the framework? Companies would be incentivized to have the best reports in order to earn the positive press that comes along with being recognized. Additionally, these "best" reports can serve as tangible examples for other companies to aim for when they are improving their own disclosures.
- Similar to how Figure 3 does a great job of illustrating the value creation process, there should be a graphic that helps conceptualize and tie together Sections 2-5 of the Framework: the Fundamental Concepts, the Guiding Principles, the Content Elements, and Preparation and Presentation. Since the Framework is a new way of reporting, the presentation of the entire framework should be visualized so that a layperson could understand it. It should be that simple. Otherwise, people will get confused easily, which would hurt the Framework's dissemination to the public. Even as someone who studied Accounting in college and now works as an Auditor at PwC, I am still having trouble wrapping my head around the entire Framework, to the extent that I understand how each of its constituent elements fit with each other.
- How do you address the risk of a company that reports incredibly close to the spirit of the Framework, however, twists their value creation story to cover up for outcomes they indirectly cause, such as decreasing a population's health or intelligence? The companies that really should be reporting on an "integrated" basis the most are often the most dangerous to civilization's best interest. Therefore, they are least likely to produce Integrated Reports, unless mandated by law. But what if a company, like BP (which contributed to one of the largest environmental disasters in human history with the Gulf of Mexico oil spill, and also inherently promotes economic overreliance on fossil fuels to our climate's imminent detriment) or Monsanto (which patents seeds and punishes small farmers who violate their intellectual property, and undercut agriculturally-based cultures for their own profit, i.e. farmers committing suicide in India) can leverage their billions of dollars of resources towards creating artificial representations of the objectively ugly story? They can dismiss long-term risks much easier, or at least spend very little time discussing them, since the long-term is so much more difficult to define than the short-term. This potential but likely outcome is compounded by the news cycle being so much shorter.
- Why is Integrated Reporting not a bigger deal within the US, and within US Big Four Accounting firms? I have barely heard about Integrated Reporting, despite this movement being something that could fundamentally send schockwaves through the profession. Dennis Nally is the chairman of the entire PwC firm, and is on the IIRC's Council of representatives from member organizations, but I have barely heard anything about his involvement in this initiative from PwC's internal news distributions. It is fairly obvious that we cannot continue to measure organizational performance and require disclosures that are only financial in nature if we want corporations to bring net benefit to society. Perhaps it is detrimental in the short-term to the Big Four's business model, which relies heavily on operational efficiency and oligopoly through predictable government regulation to maintain high profitability. A change/reevaluation of framework would cause too much confusion, at least in the short-term. I can see the less ambitious Partners of the firm wanting to avoid interrupting the hum of the machine.
- For the Framework to gain traction, it would have to be used in the US. US GAAP is very rules-based and the society is generally litigious. My understanding is that IFRS is relatively more principles-based. This disparity might be why Integrated Reporting is not a bigger deal in the US.