

## Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

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

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

Organization name:	<input type="text" value="The Crown Estate"/>
Industry sector:	<input type="text" value="Financials"/>
Geographical region:	<input type="text" value="Western Europe"/>

### Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

We strongly support the development of this framework and have found it extremely useful when preparing our first integrated report. On the whole we think that it is a positive step forward and that much of the content is clear and it can already support companies in better reporting. There are some areas where the framework could show its own connectivity between areas of reporting better and although maybe somewhat necessary at this point it is still rather technical and could benefit from being more practical as it evolves.

## Chapter 1: Overview

### ***Principles-based requirements***

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

We believe that the principles that are included in the framework are all relevant and there are no others we would add. We believe there is still work to be done regarding clarity on these principles though. When we were implementing them into our reporting process, we broke them down even further, for example breaking down materiality and conciseness into separate approaches as although they are connected they are different. more examples of implementation would help greatly.

### ***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 broadly, although it is much more than just the investor relations section of the website that needs to be addressed here. We have found that producing an integrated report has changed the way we view all of our website and other communications. A good example is the development of the people section of the website to include aspects that were previously found in the sustainability section, such as employee diversity. Also the including of a more integrated message in standard presentations that are used by our employees when talking to customers or possible partners. We realise that the focus is investors, but integrated report 'ing' affects all communications.

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?*

There have been many attempts to do this and it would probably be best to utilise the expertise of organizations already established by subject area. For example the UN CEO Water Mandate has already reviewed the accounting methods for water reporting ([http://ceowatermandate.org/files/corporate\\_water\\_accounting\\_analysis.pdf](http://ceowatermandate.org/files/corporate_water_accounting_analysis.pdf)) and is an authoritative source in this area.

We believe that it should always be noted that reporting should cover material issues and not every indicator.

## **Other**

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

## **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 we agree that capitals are a good way of identifying the inter-dependencies and connectivity between the stocks and flows of resources and relationships. At present the process feels very technical though and we believe that this is a block to wider implementation of the concept. Greater focus should be given to the principle of capitals and less to the use of the term 'capitals' allowing the use of language that it is more colloquial and providing practical examples from companies that have used capitals thinking but not the actual words.

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

### ***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 we think that this is a good explanation of what constitutes a business model.

### **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, although it should refer to material internal and external consequences as it will not be possible to include all of the positive and negative outcomes in the business model.

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)?*

It would be good to include something about development and review of business models in this section. In conversation with people throughout our business and externally, the perception is sometimes that once a business model is agreed it is set in stone rather than the evolving process that it is.

### **Other**

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

## **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?*

We were not clear why materiality would only be relevant to 'Primary intended report users' as seems to be implied in (3.23). This is about report 'ing' and not just a report so there is more than one output and this should presumably refer to stakeholders.

For us materiality is an issue that could potentially impact our ability to deliver on our core objectives and impact Board and committee decisions - which is clearly covered in 3.24.

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

As mentioned previously we can understand the need to only have a small number of principles, but conciseness and materiality are different although connected and we approached these separately.

**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?

Providing third party assurance or statements from stakeholders. At present assurance providers appear to still be some way off being able to provide assurance on the reliability and completeness of an integrated report and they are still focusing on limited or reasonable assurance of data. Therefore statements from stakeholders or independent third parties may be a good starting point.

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

**Other**

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

## Chapter 4: Content Elements

16. *Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).*

Section 4C 'Opportunities and Risks' is directly related to the material issues and yet the link is not clearly shown here. It is not possible not identify what is material to the organisation unless the risks and opportunities have been identified first - It could be possible to follow the framework and end up with risks and opportunities that are not included in the materiality section and vis versa.

## 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 - this shows that responsibility and authority is correctly allocated. Although most auditors appear to be some way from being able to define how they would assure an Integrated Report, the management letter they write for present work carried out is sent to those charged with governance so it should be those charged with governance that include any statement in the integrated report.

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

The three bullet points in 5.18 seem reasonable and relevant.

**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?*

It should ideally cover the integrated report as a whole as mentioned previously as this helps with reliability and consistency. We realise that this is not easy to do at present and there may still be a need for separate assurance on individual aspects.

20. *Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.*

**Other**

21. *Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).*

## Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

Yes - we have followed the draft framework in producing our first integrated report and found it extremely useful to have something to benchmark ourselves against and to prompt our thinking. We have set out a three year plan to develop our approach further alongside the evolving framework. One area that we will be focusing more on in the next year is the principle of capitals, which has become more important in the framework over the last year.

## 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?*

The explanatory material would be more beneficial if it were less technical and more practical. The areas of most interest for us are the business model, materiality and capitals.

## Other

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

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)