Consultation questions

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

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

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC’s website (www.theiirc.org).

Comments should be submitted by Monday 15th, July 2013.

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Stakeholder group: Other

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

Organization name: Fibria Celulose SA
Industry sector: Basic materials
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.

It would be important to more fully explain how audit firms would treat IR, and to clearly explain the processes to ensure that IR audits do not conflict with the external audit services to the financial statements provided by these companies.
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.

It is difficult to disclose the time frame to obtain certain data in the report as some company’s actions/strategies have less visibility in terms of time. Maybe this could be eliminated. In any case it is crucial to check the accounting principles (GAAP) regarding disclosure of the information.

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?

We agree that the process should be part of the discussions with stakeholders, but it would be much more efficient if the Company could develop one single report with all the information (financial and non-financial), in compliance with the regulations.

One question that arises is, if the goal is to have this report integrated with financial reports, to be made available to analysts and in investor relations processes, with what frequency should this integrated report be made available? If it aligns with financial reports (quarterly) is there not that risk of continued short-termism? And would this not contradict with the very nature of sustainability?

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?

It is essential for the IIRC to harmonize with already existing financial and non-financial systems of indicators, in particular IFRS / GAAP and the GRI.
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. This approach is important in order to achieve a more long-term and strategic view of the company to stakeholders. It is important to recognize that the capitals are prone to subjective interpretation and that there is, necessarily, an overlap between them. A company disclosing appropriately all of the material capitals will reflect the full panoramic view of its activities and strategies.

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. The broad view of value creation is the key point for all stakeholders, but there should be an element of contextualization / profile of the environment within which this business model operates. Inputs / outputs and business activities is part of this.
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. In our view the outcome information development should be the main point in order to differ from the current company's reports.

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)?

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?

Partly, this approach is logical within the "rules of the game" established by the draft framework. However, by having the primary report users as the providers of financial capital, the materiality could present a bias with blind spots and could offer risks to the company. If the strategy is affected by issues deemed non-material by investors and analysts, the value creation for stakeholders may be substantially affected.
12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

The issue of harmonization of the materiality process should be taken into account. As companies use the materiality for content-definition of an integrated report, a materiality process built by and for providers of financial capital, would look substantially different from a materiality matrix constructed for a GRI report, for instance, by taking into consideration opinions from community and NGO representatives. In that sense, companies risk presenting, and following recommendations from disparate materiality processes, taking away credibility and legitimacy of not only the processes themselves, but from the frameworks that originated each process, in this case, the IIRC and the GRI.

Reliability and completeness (Section 3E)

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

13. How should the reliability of an integrated report be demonstrated?

The integrated report should disclose evidence and references depending on the materiality of the information (certifications, for example). The risk of this process is varying levels of quality and assurance provided for each reference.

The issuance of an external, independent perspective on the IR would undoubtedly bring greater reliability and credibility to its content. Furthermore, the creation of a classification by the IIRC to be assigned to companies in line with the level of information provided and its quality would also contribute positively to bringing reliability to the IR - such as those processes of levels of corporate governance, for instance, of the BM&FBOVESPA, i.e. Level I, Level II, New Market, etc., and rating agencies).

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).

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. In the 20F report a similar statement is required i.e. Board of Directors and Executive Board signing off the report.

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

I think that the assurance should only cover material aspects. A focused assurance process would be more efficient and would provide a high level of credibility to the aspects most important to the primary report users. Perhaps the report as a whole could make reference to additional independent audits and certification processes by specialized companies, forest management certifications, for instance.

However, if the IR contains financial and accounting information subject to audit examination, one should be careful with the level of assurance to be provided so that does not conflict with existing auditing standards and with the opinion of the external auditors of company.

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

**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?

We believe that the content is an appropriate guide for how to develop the integrated report. I would suggest the framework to explore more precisely the ways to achieve value creation from sustainability aspects as I believe this will be the key point to people to look at IR as the adequate tool for company’s to disclose its information to stakeholders. The IIRC should continue to provide examples of companies using the framework, and financial capital providers that have been using integrated reports and how they are affecting their decision-making processes.

The IR Framework is suitable for organizations concerned to convey a message of value creation for the next few years, however, the level of information provided will directly influence the IR, since firms may not feel comfortable sharing with the market some of their strategies for the future or committing to future business that may be on the agenda and still treated as confidential. However, the requirement of providing information on a broader level to reflect a possible classification / rating enters the companies and the assurance by independent third parties, may contribute to this goal.

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 could further describe and exemplify the users of information, models of dissemination of the content of the IR from the information of a fictitious company, facilitating the interpretation of sections of the document, the responsibility for the information, business benefits brought about by the IR process, integration with other documents / reporting processes.

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
Additional comments on the Consultation Draft of the International <IR> Framework

Integrated Reporting is a key tool for helping to drive companies in a sustainable direction, since it aims to consider the economic, environmental and social accounting, and not only economic, as most reports do now.

Nevertheless, the consideration of economic, environmental and social accounting (and their links) must be based on sound and widely accepted methodologies, whose development requires a multistakeholder engagement process, comprising governments, business, NGOs, etc. Business can play a leading role in the discussions, but cannot do it alone.

Up to the moment the economic accounting methodologies are the only ones that have been developed and are broadly accepted and regulated. Global, countries and business statistics and reports are all based on these methodologies. This allows the results to be comparable, such as the GDPs (countries level) and the several business economic indicators.

Unfortunately the accounting methodologies and regulations for the environmental and social dimensions are far behind, both in terms of development, regulation and broad acceptance. If we want to have actual Integrated Reporting in the future, we must consider this approach since the beginning, and start to work with other stakeholders to fill this gap.