# 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: | Report preparers

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

Organization name: | N/A

Industry sector: | please select

Geographical region: | please select

## 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.

N/A

# 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.*

N/A

## *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?*

I agree with the paragraphs and their characterisation of the interaction between traditional forms of reporting. A possible suggestion though would be the inclusion of repackaged information for particular stakeholder groups. This consultation draft makes it clear that the primary reader of the IR should be the provider of capital, although all stakeholders should be considered for long-term value creation. In some industries and markets though it might be useful to create a small, focused version of the IR to provide to employees or community members, that would allow them access to the most crucial information for them, and point them to another source (the full report, the online report, a company representative) where they could find out more. This integration between forms of communication could further add to the integrated reporting process. There are South African companies who are using this and finding it a successful addition to integrated reporting.

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?*

I think this would be tricky, because reporting standards worldwide differ so much. I think perhaps a by country, or stock exchange, index would be useful to ensure that an integrated report met and/or referred to documents that met the specific requirement.

### *Other*

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

> It's an easy-to-use overview that provides a useful reference point when checking on reporting requirements, and directs the reader easily to further reading.

# Chapter 2: Fundamental concepts

### *The capitals (Section 2B)*

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. *Do you agree with this approach to the capitals? Why/why not?*

> Yes - the descriptions are brief enough to be understood and broad enough to be applied across industries. The diagram is a useful way of explaining how they all fit together.

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

> I think paragraph 2.25 is practical and insightful, and provides a scope for business narrative rather than just a description of each capital in reporting.

### *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 agree with the definition but think it needs to be clear that the business model can look however the company needs or wants it to, but incorporate the necessary components in a way that best suits the business in question.

### *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?*

> N/A

*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)?*

> N/A

### *Other*

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

> The value creation section is very useful, particularly because it is what sets the integrated report apart, and also provides a basis for the company's narrative in the report. I think the idea of value creation and destruction is well described, and it becomes apart that the trade-off of value in the long term could be similar to the trade-off of capitals in the previous section.

## 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?*

> I agree with this approach, but I think it needs to be explained that even if the primary users are providers of capital materiality could involve issues that effect other stakeholders who have the ability to increase or decrease the business's value creation, such as employees or local communities. I think this link needs to be made clearer to prevent the report becoming just financial, especially in countries where there isn't an established pattern of sustainability reporting.

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

N/A

### 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?

An additional mechanism could be a process of peer or panel review, to have an outside opinion vet the report prior to publication. Media analysis of material issues can also be useful in some cases, to ensure the company is responding appropriately to public views.

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

N/A

### Other

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

N/A

# 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).*

This is helpful without being prescriptive.

# 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, it encourages them to take an active interest in the reporting process.

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?*

I'd imagine specific aspects of the report would be the most practical way to approach this, even if just initially. It's going to take awhile for assurance to adapt this and while it is important for the reports to be true and honest it would also be a shame for integrated reporting to be held back by assurance. I think there needs to be a gradual process in place, and perhaps alternative ways to assure some information might be useful - for example, stainability or engagement specialists checking the engagement or environmental processes alongside auditors checking more 'traditional' information.

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.*

N/A

### *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).*

N/A

## 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?*

I think the draft overall is very useful and easy to use in preparing reports. I think perhaps some more specific industry or company workshops could help as the process evolves to understand the intricacies of different markets. That said, I think it's great that the Framework isn't too prescriptive and doesn't fall into the trap of being 'tick-box'. It gives companies the room to develop and tell their own story.

## 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) Determining materiality
2) Writing an honest, readable story
3) Integrated reporting: the importance of the process

## Other

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

N/A

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