

## 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:

Email:

Stakeholder group:

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

Organization name:

Industry sector:

Geographical region:

### 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.

The overall <IR> approach is likely to facilitate integrated thinking within businesses, along with the improved articulation of integrated information on businesses' strategy, performance and value creation in a public-facing document. We consider this to be positive. In particular, it is welcome to see moves to improve the consideration of sustainability matters in business decision-making.

However, we have concerns over how fully the approach will be embraced. Without the addition of more specific guidelines and requirements that go beyond a principles-based approach, there is a risk of businesses reporting on those issues that are convenient / easy to report, and excluding material information that is of relevance to stakeholders.

Whilst it is recognised that every business has its own unique set of issues to address, and it is helpful to encourage integrated thinking around value creation for each individual case, the absence of any guidance to create a comparable structure, or data sets, allowing consistency and comparability between company reports is a weakness in the approach.

Business owners, in addition to providers of capital would be a useful extension to the specified audience - this is particularly relevant for co-operatives, and other non-plc businesses.

## 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.*

No suggested changes.

### ***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?*

Provided the <IR> does not require significant additional resource - ie, in effect it replaces the introductory pages of the Annual Report and Sustainability Report, rather than requiring the production of a new stand-alone document, we agree with the proposal.

We would certainly caution against businesses using the <IR> as a replacement for their Sustainability Report though - this would almost certainly result in the loss of key information from the public domain, that is valuable to specific stakeholder groups; and reporting approaches that have evolved over two decades.

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?*

This would be a positive development to facilitate comparability between reports. It would be improved by including sector-by sector references (Paragraph 3.36 states that 'certain matters are likely to be material to all organisations in an industry').

GRI would be a helpful resource to reference.

## **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?*

We agree with the approach, although it may be considered overly academic by certain stakeholders, whose engagement will be required.

We consider the approach to be positive insofar as it prompts businesses to consider the range of impacts they have. But less clear how the intended report users (providers of capital) would use the information in investment-related decision-making, and, linked to this, how reporting businesses should aim to articulate value creation in relation to the different capitals to ensure the information meets user requirements.

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

Quantitative measures are key for providing an objective picture of performance over time, and in relation to peers. Whilst various instances within the <IR> framework detail the importance of quantitative KPIs, and advocate their use, paragraph 2.24 would be strengthened by placing greater focus on a quantitative approach, in order to encourage the use of quantitative measures wherever feasible/useful.

### ***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?*

**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?*

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?*

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

It is not always straight-forward to prioritise issues, particularly when some relate to positive, and some to negative impacts, or when relating to different capitals. As a great deal of subjectivity is involved, some caution needs to be taken when adopting a matrix approach, as suggested in paragraph 5.11.

**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?

Independent assurance should be given much greater prominence here - this is absolutely key to ensuring businesses report material information in a balanced way.

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.

Paragraph 3.52 is useful, in promoting the use of measures that will allow comparability between reports.

## 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).*

It is welcome to see more specific guidance and requirements, as outlined in this section, in order to increase comparability between business reporting, and to encourage reporting of all appropriate information. In particular, paragraph 4.31 is helpful.

## 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 facilitates buy-in to integrated thinking at the highest level within the business, and helps to ensure the <IR> accurately represents the strategic direction of the business.

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?*

Assurance should cover the whole <IR>, in order to provide readers with assurance of all content, and to facilitate full disclosure of material issues across the whole <IR>. Independent assurance is absolutely key to ensuring reports are credible, balanced and trustworthy.

*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.*

Paragraph 5.20 should state 'organisations should seek independent assurance...' (as opposed to 'may seek independent assurance...').

**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?*

The Framework feels quite academic in places. We believe it would benefit from accompanying guidance and requirements in the form of specific KPIs, but agree that the overall concept is a positive one.

## 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?*

A small set of required KPIs that are material across sectors (eg, carbon emissions, payment of tax); along with short sector-based checklists of KPIs, in order to improve comparability between company reports, and to raise the bar for information disclosure. These lists would not be extensive, as a box-ticking exercise is not desirable, but would define key measures to be used.

It would also be useful to signpost to good examples of <IR>, to facilitate implementation of the Framework.

## 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)