

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.

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.

This paper expresses the aggregated views of Paia Consulting and other stakeholders in Singapore, as an attempt to encourage more feedback. The stakeholders include SGX-listed firms, local governance experts, investor analysts and an environmental specialist. As such, the feedback taken as a whole may reflect opposing views from different sections. This feedback, in parts or in whole, may not be taken to represent the view of Paia Consulting.

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.*

1.12 If certain information has not been disclosed due to commercial/regulatory sensitivity, then disclosure steps to obtain data & timeframe is not relevant.

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. This is a key point. Great that IIRC emphasised it.

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?*

Industry benchmarks - very important for comparability
FRS / GAAP
GRI
DJSI

At the risk of being prescriptive, it will also be good to give an indication of 'long-term', i.e. 20 years, drawing from industry benchmarks or otherwise. A firm that considers long-term to be 5 years could be perpetuating short-termism unknowingly.

Other

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

1.18-1.20 relates to existing reporting frameworks, but does not examine existing management frameworks such as ERMs based on ISO 31000 or COSO. This is a gap as, in 1.15-1.17, <IR> is guided by integrated thinking. Traditional silo-ed thinking is sometimes perpetuated by existing management frameworks/tools and correspondingly, management structure.

Suggest to either

a) add a note on interaction with other management frameworks after 1.17, and subsequently develop guidelines or case studies on how the shift from integrated thinking can be accomplished using existing frameworks, or

b) add the above note within 1.18-1.20, and change the header to 'Interaction with other frameworks and communications'

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

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

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.

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)?*

Encourage diagrams as a method to simplify users understanding of business model

Other

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

In relation to a point in #4, considering that many reporters cover these aspects under Governance/Risk Management using an enterprise risk management framework, it is worthwhile examining how these frameworks relate. Also for banks adopting even more complex Basel standards which will likely have to incorporate broad macroeconomic trends.

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?*

An annual materiality assessment may not be possible/feasible.

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

5.7-5.11 - the graph proposed does not factor in the time frame of the effect. The graph itself is fine, it is a useful and familiar risk-matrix. However, given that one key aim of <IR> is to address long-term issues, which may only have a material effect in the long term, it will be helpful to suggest how these issues may be factored in. Otherwise, it is likely that issues which will happen in a very long horizon could be dismissed too early at this stage, when it is actually the best time to resolve it.

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?*

Evidence of integrated thinking is demonstrated through management structure, independent input to board level, clarity of assigned roles and responsibilities beyond short-term financial profit at board level, evidence of meetings and discussions. Reliability of an integrated report, with integrated thinking as the backbone, will thus be demonstrated.

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

In Asia, it appears board level involvement in sustainability is weak.

Assurors need to demonstrate clearly how they assess objectives of integrated reporting, before serious users can interpret the level of assessment.

Other

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

Firms are likely not to be ready to report on nature & magnitude of material trade-offs that influence valuation creation over time.

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).

4.8 & 4.9 How detailed will the criteria be? For companies with global reach, it can be a lot of information.

4C Maturity of company not ready for complete disclosure on opportunities & risks for every capital

4D Not ready to disclose due to commercial/competitive sensitivities

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?

In Singapore sustainability context, many companies are not ready. Sustainability is not yet a regular board oversight item.

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?

Aspects. Differing levels of maturity in different areas.

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?*

It is appropriate to use, and I see that companies will pick up bits and pieces of the content elements. Hence, this framework is presented in a user-friendly format.

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?*

How to explain trade-offs. This can come through from 4D Strategy and resource allocation.

Other

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

Rather comprehensive, but hope that natural capital description and aspects, including environmental/ecosystem/biodiversity/climate issues are further elaborated upon throughout the document where relevant.

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