

15 July 2013

Prof Mervyn King  
Chairman  
International Integrated Reporting Council

Email [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)

Dear Professor King

### **Consultation Draft**

The Group of 100 (G100) is an organization of chief financial officers from Australia's largest business enterprises with the purpose of advancing Australia's financial competitiveness. We are pleased to offer comment on the Consultation Draft.

**The G100 believes that if an integrated report is to be required it must replace an existing requirement and not be an addition to the current level of regulation and compliance. In the Australian environment directors of listed entities are required to provide a review of operations and financial condition. Imposing an integrated report on this regime would involve significant duplication and add a further level of costs for companies. As such, there needs to be clarity about where the integrated report fits best with current regimes. We see an integrated report, if introduced, becoming part of the annual report and not as a separate stand-alone report.**

#### **CHAPTER 1 OVERVIEW**

- 1. Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*
- 2. Do you agree with how paragraphs 1.18 – 1.20 characterize the interaction with other reports and 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?*

**The G100 does not believe that paragraphs 1.18 to 1.20 adequately address concerns about the relationship between the integrated report and current reporting regimes. If the integrated report is to achieve its purpose it should be the primary stand-alone report to accompany the financial statements in the entity's annual report and not be an additional report. As a stand-alone report the integrated report should replace an existing requirement.**

**A further concern is that if the integrated report is part of the statutory financial reporting cycle the regulator in Australia does not permit cross-referencing to other documents.**

**The G100 supports the creation of an online data base but at this stage has not identified appropriate references as we consider that these are best identified as part of the pilot program.**

**OTHER**

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

**Not applicable**

**CHAPTER 2 FUNDAMENTAL CONCEPTS**

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

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

**The G100 considers the approach to the capitals is appropriate provided that entities have the ability to adapt it to their circumstances. The concept of multiple capitals may be useful to preparers to identify the types and nature of items and their interrelationships when preparing the report. We agree with paragraph 2.19 that they are useful for guidance and should be regarded as such and not viewed as a template for reporting. In the final analysis an entity should have the flexibility to focus on the capitals that are most relevant to its operations, performance and prospects.**

**While the initial focus is on publicly listed entities the framework and concepts should be principles-based and sufficiently robust for them to be readily adapted by other types of entities.**

**BUSINESS MODEL (SECTION 2C)**

*7. Do you agree with definition of the business model? Why/why not?*

*8. Do you agree with definition of outcomes? 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 (Section 4E).*

**The G100 agrees with the definitions of the business model and outcomes. The G100 believes that an understanding of the company's business model and its value creation process are important to shareholders and other users who are making decisions about the performance of the company. We agree with the statement in paragraph 2.29 that the focus is on those capitals that have a material bearing on the value creation process.**

**OTHER**

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

**Not applicable.**

### **CHAPTER 3 GUIDING PRINCIPLES**

*11. Do you agree with the 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).*

**The guiding principles – materiality and conciseness, reliability and completeness and consistency and comparability – replicate the qualitative characteristics of financial information in accounting conceptual frameworks. Accordingly, they are well understood by preparers.**

**The G100 agrees that clarity about the meaning and application of materiality is critically important to the development of an integrated report. However, it is important that those charged with governance have the flexibility to exercise their judgment as to what is material from the perspective of their shareholders and other users. In this regard the accompanying background paper "Materiality" provides useful guidance.**

### **RELIABILITY AND COMPLETENESS (SECTION 3E)**

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

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

**The G100 agrees with the approach to reliability and completeness which is consistent with that in the G100 "Guide to Review of Operations and Financial Condition".**

### **OTHER**

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

**Not applicable.**

### **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).*

**As indicated above, the linking of the integrated report to other reports and communications as shown in paragraph 4.4 may present compliance issues in some jurisdictions. The range of topics for discussion is comprehensive and in applying the principles it is important to recognise the challenges posed by the disclosure of potentially commercially prejudicial information.**

**We do not consider that disclosing the entity's materiality determination process {paragraph 4.5(a)} serves any useful purpose. It should be sufficient to rely on the judgement of directors.**

**CHAPTER 5 PREPARATION AND PRESENTATION (INVOLVEMENT OF THOSE CHARGED WITH governance Section 5D).**

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

**Indicating who is responsible for the report depends on where it sits in relation to other reports in each jurisdiction. For example, if it is to be part of the directors' report the responsibility for its preparation is clear. However, we do not believe that an express statement, as indicated in paragraph 5.18, serves any useful purpose.**

**CREDIBILITY (SECTION 5E)**

19. *If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?*
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.*

**The G100 considers that directors and report users would seek the comfort of external assurance (but not an audit in the financial reporting sense) as to the content of the integrated report as an important aspect of its reliability and credibility. Accordingly, appropriate processes relating to providing such assurance (not audit) including its scope need to be developed by appropriate bodies.**

**We see this as providing challenges for the IIRC as well because it has a responsibility to ensure that such issues are addressed appropriately before entities are required to provide an integrated report.**

**The level and scope of assurance involved may also have implications for directors' declarations and the management representation process underlying the preparation of the integrated report and associated disclosures. In respect of forward looking information, if provided, assurance as to the processes adopted and methodology may be appropriate.**

**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.*

**Not applicable.**

**OVERALL VIEW**

22. *Recognising 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 organisations in preparing an integrated report and for providing report users with information about an organisation's ability to create value in the short, medium and long term?*

**There are a range of matters which need to be addressed/resolved before a requirement to present an integrated report is introduced. These include:**

- **determining how the integrated report fits within the corporate governance and financial reporting frameworks in different jurisdictions**
- **addressing concerns about the potential liability for directors and those charged with governance particularly in respect of forward looking statements in the absence of a safe harbour or broadly based business judgement rule**
- **the status of forward looking information provided, its reliability and completeness**
- **the needs of shareholders and other users and whether the integrated report meets those needs more efficiently and effectively than current reporting processes.**

**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 current background papers on Capital, Business Models and Materiality provide useful guidance and could be developed further on the basis of the experience and outcomes of the pilot projects.**

**OTHER**

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

**Not applicable.**

Yours sincerely  
**Group of 100 Inc**



**Terry Bowen**  
President