The IIRC welcomes comments on all aspects of the Discussion Paper from all stakeholders, whether to express agreement or to recommend changes. Your answers to the Consultation Questions, and any other comments you would like to make, should be submitted on this form (submitted electronically at end of document) or sent via email to dpresponses@theiirc.org.

For the purpose of analysis, you are asked to identify the organization to which you belong and where it is located. All comments received will be considered a matter of public record and will be posted on www.theiirc.org.

Comments should be submitted by Wednesday 14th December 2011.

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Type of Stakeholder (please tick one as appropriate)

- ○ Academic
- ○ Analyst
- ○ Assurance Provider
- ○ Business
- ○ Consultant
- ○ Government
- ○ Inter-Governmental Agency
- ○ Investor
- ○ Labour Representative
- ○ Non-Governmental Organization
- ○ Professional Body
- ○ Rating Agency
- ◉ Standard Setter
- ○ Student
- ○ Think Tank
- ○ Trade or Industry Association
- ○ Other, please specify below

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

1. The international integrated reporting conceptual framework as summarised in the discussion paper (page 2) is premised on "a reporting framework that provides the information needed to assess organisational value in the 21st century" and how organisations represent their value-creation process. An integrated reporting framework will need to define and provide broad parameters or metrics to measure organisational value across a broad range of industries and entities. In addition the framework should provide the key principles to ensure information that is reported is comparable and achieves the "core objective" as stated at page 2 being improved communication to stakeholders.

2. The development of integrated reporting is premised on the formulation of a conceptual framework which provides the building blocks to a robust integrated reporting framework. The framework should clearly define integrated reporting, its purpose and the users of the integrated report and consider the form which an integrated report may take. In the development of an integrated reporting framework there needs to be ongoing recognition that

The World has Changed – Reporting Must Too (page 5 of the Discussion Paper)

Q1. (a) Do you believe that action is needed to help improve how organizations represent their value-creation process? Why/why not?

The AUASB is of the view that an appropriate reporting framework that demonstrates links between an organisation's financial performance with its social, environmental and economic context is an appropriate way for organisations to represent their value-creation process more holistically. Integrated reporting would allow for historic performance to be defined more holistically than simply by reference to standard financial metrics. It would also give users more information and a better understanding of the risks faced by an entity in achieving its performance measures and its sustainability in the short, medium and longer term.

Q1. (b) Do you agree that this action should be international in scope? Why/why not?

The AUASB is of the view that this action should be international in scope. Australia operates in the international capital markets and applies Australian Auditing Standards that conform to international equivalents. It is important to maintain consistency in reporting across jurisdictions to enable clarity and comparability of integrated reports across capital markets.

Towards Integrated Reporting (page 6 of the Discussion Paper)

Q2. Do you agree with the definition of Integrated Reporting on page 6? Why/why not?

Overall the AUASB is supportive of the definition of Integrated Reporting as given on page 6, however we would like to make the following comments/pose the following questions which need to be considered:

1. The term 'material information' must be used carefully as materiality has a formalised definition within financial reporting and audit and assurance frameworks and standards. Is it intended that the definition of "material" to be applied for integrated reporting in the same way as that currently applied in the financial reporting and audit and assurance standards?

An International Integrated Reporting Framework (page 8 of the Discussion Paper)

Q3. Do you support the development of an International Integrated Reporting Framework? Why/why not?

Overall the AUASB is supportive of the development of an International Integrated Reporting Framework . However, we make the following observations:

1. The development of integrated reporting is premised on the formulation of a conceptual framework which provides the building blocks to a robust integrated reporting framework. The framework should clearly define integrated reporting, its purpose and the users of the integrated report and consider the form which an integrated report may take. In the development of an integrated reporting framework there needs to be ongoing recognition that

Q4. (a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?

The AUASB agrees with the initial focus of Integrated Reporting being on larger corporate entities and investors. This ensures that any framework is robust and can accommodate the highest level of user e.g. investor, shareholder, employees etc. However, any framework developed needs to be scalable for entities of all sizes/nature and industries including those in the public sector. The difficulty will be in the vast differences in legal and regulatory environments across multiple jurisdictions.

Q4. (b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?

Yes. Integrated reporting needs to be scalable for all types of entities and jurisdictions. This includes large non-corporate public interest entities to the smaller less complex entities across a broad range of industries to ensure consistency and comparability of reporting.

Business Model and Value Creation (page 11 of the Discussion Paper)

Q5. Are: (a) the organization's business model; and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting? Why/why not?

From the commentary in the discussion paper it states that this is the type of reporting and information that investors, analysts, banks and regulators want to see disclosed within an entity's reporting arrangements. If this is the case, it is probably sensible to base the reporting arrangements on an organisation's business model and its sustainability in the short, medium and long term. Further consultation may be required coupled with the outcomes from the pilot program to refine and clarify what the users actually want to see reported.

Under the majority of capital markets and their respective financial reporting frameworks, there

Q6. Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

The concept of multiple capitals is helpful in explaining how an organisation creates and sustains value. All entities have a number of capital inputs and together with human capital, create outputs that need to be sustainable well into the future.

The AUASB would recommend that each of these "capitals" be clearly defined as part of the overall definition of "value" to an entity under the international integrated reporting framework.

Under the heading of "Human capital" as noted at page 11, there is no discussion around

Guiding Principles (page 12 of the Discussion Paper)

Q7. Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

In the absence of a developed conceptual framework for integrated reporting, it is difficult to comment. The Guiding Principles appear relevant, but need to be developed further. The key underpinning elements of an integrated report have not been identified, and we consider the elements listed to be closer to user needs.
The AUASB makes the following points/raises the following questions on the Guiding Principles:

1. Strategic focus - how will performance of the strategy be measured?

Content Elements (page 15 of the Discussion Paper)

Q8. Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report– are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

The content elements in the discussion paper provide a sound foundation collectively for preparing an international framework for integrated reporting.

Some further points to make on the Content Elements:

1. Point 3 Strategic objectives and strategies to achieve those objectives: On page 14 there is discussion about the competitive advantage of an entity. The challenge will be to reconcile the need for greater disclosure around an entity's strategies and risks while maintaining the

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policymakers, regulators and standard-setters – page 23, Other perspectives – page 24 of the Discussion Paper)

Q9. (a) From your perspective: Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

Generally we agree with the main benefits as stated on page 23 of the discussion paper.

Additional potential benefits include greater organisational clarity and streamlined reporting processes, which in the longer term should be more cost effective. It should be noted that there is likely to be an initial cost and effort to the organisation to realign their internal reporting processes.

Q9. (b) From your perspective: Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

As stated, the main challenges appear to be:

1. The issue raised in the paper regarding harmonisation of an integrated reporting framework within each jurisdiction's regulatory and legal environment is probably the most significant long term challenge, given the lack of an existing global framework covering any of the non-financial information reporting.

2. Another challenge is comparability of, and consistency in, the type of information to be

Q9. (c) From your perspective: Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

Yes from the perspective of investors. However we must remember there are a number of stakeholders beyond investors that are going to be interested in an integrated report e.g. banks, employees, consumers, regulators etc. and their needs for more comprehensive reporting also needs to be met from the integrated report. The entity must also consider that other users of the information may also gain a greater level of comfort from the other components of the integrated report if they are assured by an appropriately qualified assurance practitioner.

Future Direction (page 25 of the Discussion Paper)

Q10. (a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

As noted above, the AUASB believes that the first step should be to develop a conceptual framework and from that, a clear definition of integrated reporting rather than just focusing on the outputs from the process.

Generally the next step actions listed by the IIRC seem appropriate however the timing / timetable for these steps appear quite aggressive. A conceptual framework with a clear definition of integrated reporting including consideration of the form in which an integrated report may take would provide a solid basis for the pilot program. The pilot program is then a

Q10. (b) What priority should be afforded to each action? Why?

Developing the international integrated conceptual framework and a clear definition of integrated reporting and its purpose should be the first step in the process. Once this has been completed, the pilot program would have a strong foundation on which to base its outcomes and to assess its effectiveness. Running parallel to the pilot program would be the harmonisation process.

Q11. Do you have any other comments that you would like the IIRC to consider?

1. Integrated Reporting seems to be based on the premise of "organisational value". Value and to whom needs to be further defined within the Integrated Reporting conceptual framework.

Additional questions: These are NOT compulsory but will help with analysis if completed

I have provided feedback that reflects:

- ☐ Personal interest
- ☑ Interest of an organization, please provide the name of the organization:

Which best describes your involvement with sustainability reporting?
Please tick all that apply.

- ☐ Reporter (prepare a report for my own organization)
- ☐ Consultant (report preparer on behalf of a third party)
- ☐ Assurance provider
- ☐ Report reader (read reports for the purpose of evaluating or analyzing organizations)
- ☑ Other, please specify:

  Australian Auditing and Assurance Standard and guidance setter

Please indicate how many years of experience you have with sustainability reporting:

- ○ No experience
- ○ Less than 1 year
- ○ 1-5 years
- ○ More than 5 years

Submit to the IIRC