



Australian Government

**Australian Accounting
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Sir Michael Peat
The Chairman
International Integrated Reporting Committee

Dear Sir Michael Peat

International Integrated Reporting Committee Discussion paper Towards Integrated Reporting – Communicating Value in the 21st Century

The Australian Accounting Standards Board (AASB) is pleased to provide its comments on the above named Discussion Paper (DP).

The AASB considers the development of an international integrated reporting framework could assist entities in explaining their value creation process and provide a holistic view of their operations. In this regard, the AASB believes sufficient attention should be paid to financial reporting in developing this form of reporting, resulting in reporting that would complement, rather than replace, financial reporting. The AASB recommends the International Integrated Reporting Committee (IIRC), as a starting point, develop a well-constructed Conceptual Framework for integrated reporting. The basic building blocks for such a framework can be derived from the Conceptual Framework for general purpose financial reporting. The AASB considers a significant proportion of the information (i.e. financial information) that would be included in an integrated report would rely on the Conceptual Framework for general purpose financial reporting. Concepts about reporting other information not within the scope of that Conceptual Framework, for example, information about human capital and equal opportunity, should be compatible with that Framework to foster coherent reporting of all information within an integrated report.

The AASB has the following comments regarding the ideas in the DP and recommendations for addressing them.

Definition of ‘integrated reporting’

The DP does not define ‘integrated reporting’ but rather explains ‘integrated reporting’ as a process of bringing together material information. This description implies an exercise of collecting different types of material information rather than integrating that information. The AASB recommends explicitly defining ‘integrated reporting’ and better explaining what is the meaning of ‘integrated’.

Guiding principles and key content elements

The guiding principles and key content elements in the DP provide a list of factors to consider in determining the content of an integrated report. Whilst this may be a useful

starting point for developing an integrated reporting framework, the AASB considers the guiding principles and key content elements could be developed further to provide clear guidance for determining how various types of information should be integrated.

The AASB considers some of the information proposed in the guiding principles and key content elements in the DP to be a replica of information that is already being reported under other frameworks. For example, information reported by some entities based on the guidance in the IASB's Practice Statement *Management Commentary – A framework for presentation*, which includes information about the strategies they have in place to meet their objectives; their key resources, risks and relationships; and the key performance indicators used to evaluate their performance against their objectives. The AASB recommends developing principles, in light of a Conceptual Framework, that determine how to integrate different types of information for inclusion in an integrated report.

Practicality for progress

There are many obstacles to achieving consensus on, and implementation of, global approaches to reporting. Though the IASB has been remarkably successful in its first ten years, it has been building on a long history and with the support of a significant network of domestic standard-setters and regulators. The IIRC would be wise to consider how this has occurred.

In this regard, the IIRC should avoid any connotations that its work would replace rather than complement financial reporting requirements. On practical grounds replacement, even if agreed, would require immense time and effort to enrich existing financial reporting requirements around the world and to establish similar provisions for integrated reporting. If the preparation of an integrated report is initially an additional reporting requirement to financial reporting and other forms of reporting, the IIRC may find it difficult to gather support for its proposals.

The AASB recommends the IIRC aligns its work with the IASB, with each body being prepared to ensure the margins of their work are as complementary as possible.

If you have any queries regarding matters in this submission, please contact me or Mischa Ginns (mginns@aab.gov.au).

Yours sincerely



Kevin Stevenson
Chairman and CEO