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International Integrated Reporting Council

via Email: dpresponses@theiirc.org

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Discussion paper "Towards Integrated Reporting - Communication Value in the 21st Century"

Dear Sir/Madam,

Ref. BdB: H 3.9

Prepared by Wu/Rd

Thank you for the opportunity to respond to the above discussion paper. The importance of non-financial information – on sustainability, to mention just one issue – has increased significantly in the wake of the financial crisis, as have questions related to its disclosure and interdependence with financial information. Germany's private, savings and cooperative banks are following this topic with great interest.

[Enclosure](#)

[Comments](#)

We consider the idea of integrated reporting and the underlying vision highly interesting. And we welcome both the IIRC's emphasis on the importance of business models and its objective of reducing the current scale of reporting overall. We are sceptical, however, of the IIRC's view that the "development of Integrated Reporting will require a change in established thinking about decision making and reporting" (page 25 of the paper). It is a company's business model which influences its reporting, in our opinion, and not the other way around, i.e. with reporting driving the type of business a company engages in.

With both ongoing and planned regulatory initiatives in mind, we are critical of the IIRC's proposal all in all despite the positive elements mentioned above. Various initiatives on factors such as sustainability are currently underway; they were launched by various organisations and pursue various objectives. The European Commission, for instance, has announced it will issue a legislative proposal on non-financial reporting in 2012. We have three main concerns about the idea of mandatory integrated reporting.

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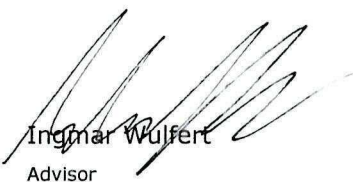
We would be happy to provide further information on request.

Yours sincerely,

On behalf of the above associations,



Dirk Jäger
Managing Director



Ingmar Wulfert
Advisor

Comments

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- Communication Value in the 21st Century"

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1. Information overload

We fear that integrated reporting will not only fail to reduce the existing scale of disclosure, but will actually increase it. Publishing the information online rather than in print (cf. page 6 of the paper), for instance, will not reduce the workload for companies but simply has the potential to save printing costs. Not should it be overlooked that the law will still require certain information to be published in printed form. What is more, even if companies prepare integrated reports containing financial and non-financial information, we believe it is highly likely that users will continue to demand two separate reports (financial statements and a sustainability report) because this will make it easier for them to find the specific details they seek. We would also point out that the objectives of financial and non-financial information are not totally consistent with one another. While financial information is largely retrospective in nature, sustainability aspects are essentially forward-looking. In summary, a reporting format along the lines of that suggested by the IIRC is more likely to cause confusion than it is to increase transparency.

2. Time constraints

The European Transparency Directive (2004/109/EC) requires issuers whose securities are admitted to trading on a regulated market to publish annual or consolidated accounts no later than four months after the end of each financial year. If integrated reporting were mandatory, all the additional non-financial information would have to be processed as well within the same time frame. This would further increase the enormous time pressure companies are already under. It should also be borne in mind that very tight deadlines are not conducive to producing reliable data. For this reason, we believe it would make good sense to separate the reporting of financial and non-financial information and to leave it to the individual company's discretion to decide whether or not to publish a report subsequent to its annual or consolidated accounts with information not currently contained in these accounts.

3. Independent assurance of non-financial information

It is our firm conviction that there should be no legal requirement to submit integrated reports to an independent audit. Non-financial information normally comprises highly company-specific aspects; identifying and evaluating these aspects should be the responsibility and at the discretion of the company's management alone.

We would like to point out in this context that, in Germany, much of the information called for by the IIRC (e.g. strategic focus, non-financial data) is already disclosed in detail in the so-called management report. This report has to identify and explain all known events, decisions and factors which, at the time of preparing the report, the management believes may have a significant influence on the company's future development.

All in all, we take the view that, irrespective of a company's size and listing status, any information beyond that already required should be disclosed on a strictly voluntary basis. This voluntary information could be published either on the internet or in separate reports. One possible option would be for companies to publish an integrated report subsequent to their annual or consolidated accounts instead of the current condensed version of their annual report.