



Banarra submission in response to the IIRC Discussion Paper on Integrated Reporting

Thank you for the opportunity to respond to the recent IIRC discussion paper on integrated reporting. Firstly, let me congratulate the Committee on their efforts to tackle this challenging new approach to public reporting and accountability and to be open to receiving constructive input on how IR might be developed and delivered more effectively.

Banarra has a keen interest and a significant stake in how IR will unfold, as helping clients report their sustainability performance effectively and credibly is a key focus of our consultancy services, and we also have a wide network of clients who look to us for broader guidance and insight on improving their overall business approach to embracing sustainable practices.

In Australia, we have had a number of clients express both interest and concern in IR, largely because they are hearing a lot of second-hand or self-serving talk about its nature, expectations and challenges. They are looking to us for our view and having the discussion paper has enabled us to crystallise our initial thoughts. These thoughts are captured below.

Could I also point out that the discussion paper itself asks a series of specific questions around IR, and that you would probably have preferred a submission that specifically addressed those questions. However I have not constructed our response around those questions as firstly I do not believe some of the questions are the right ones to ask (and therefore limit our response) and secondly some questions seem somewhat biased in the types of response they are designed to elicit.

Questions that we'd would have like to see asked and answered include whether integrated reporting really does lead to integrated thinking and strategies (or can an integrated report potentially create a false impression that integrated thinking and strategies actually does exist in the organisation)? The paper explicitly says that "Integrated Reporting reflects, and supports, integrated thinking". Is this in fact the case?

We know from our assurance work at Banarra that reporters can be quite creative in presenting information in their reports in a way that suggests or implies coherent strategies and thinking but are in fact simply drawing tenuous links between disparate or disconnected initiatives. The result can be somewhat akin to greenwashing. IR opens up significant opportunities in this regard as it encourages the disclosure of connections between strategy, governance and performance - ripe for the picking around 'let's paint a picture'. We don't see this aspect being seriously addressed in the discussion paper, other than noting that assurance of IRs may be more difficult than that of traditional reports.



Another key question that seems to be somewhat buried is whether the declared 'investor focus' of integrated reporting is necessarily correct - and therefore whether stakeholders (other than investors) will benefit more from an integrated report than the reports currently available? The paper sends mixed messages that investors are the primary target of IR, but that IR will lead to greater engagement with all stakeholders. With the paper focusing on the specific benefits of IR to investors and regulators, and less on the benefits to all other stakeholders, I wonder if this needs more consideration.

The paper is also not clear on where business values and ethics fit under the Guiding Principles. There is but one brief mention of ethics in the whole paper and nothing substantive about how business values will be accounted for. Surprisingly, given the continuing challenges around corporate conduct and ethics evident in recent times, it doesn't look like these essential business aspects have seriously made it into the mix.

We are by no means attempting to sound too negative, rather constructively critical, as we believe in the potential of integrated reporting. Overall we recognise and support the effort and thinking that has gone into the IIRC paper, and our comments are intended to help strengthen that work. It's more about getting the focus, risks and scope of IR right at the start that will determine its success and benefits in the future. The stronger the foundations are at this point, the greater the potential impact of integrated reporting will be, with greater buy-in and less reworking later.

We are very supportive of the great work done by the BRLF in Australia to generate interest and discussion around IR. They have done a superb job in harnessing input and presenting this back to the IIRC. Banarra will continue to provide constructive input through the BRLF during the IR development process and we welcome any further opportunities to represent both our views and those of our clients through this important period.

Yours sincerely



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