



December 12, 2011

Mr. Paul Druckman, FCA
Chief Executive Officer
The International Integrated Reporting Council

By e-mail: dpresponses@theiirc.org

Dear Mr. Druckman:

Re: Towards Integrated Reporting – Communicating Value in the 21st Century

The Canadian Institute of Chartered Accountants (CICA) is pleased to provide comments on the Discussion Paper.

Our comments have been formulated after reviewing the Discussion Paper with CICA's Canadian Performance Reporting Board (CPRB) and a selection of other primary stakeholders in the Canadian financial reporting community. The CICA created the CPRB to enhance the quality of organizations' external performance reporting, focusing on the "beyond-GAAP" aspects of corporate reporting in Canada's capital markets. The CPRB has produced various materials in support of its mandate, all of which are available at www.cica.ca/cpr, including *Management's Discussion and Analysis – Guidance on Preparation and Disclosure, July 2009*.

Rather than answering the specific questions posed in the Discussion Paper, we believe there are fundamental issues that first need to be addressed, so we have provided general comments for your consideration.

Overall

We agree that the concept of integrated reporting should be pursued and that disclosure related to various environmental, social and governance (ESG) issues need to be better integrated with financial information in mainstream external corporate reporting.

While it is important to articulate a vision for integrated reporting, and the Discussion Paper does this quite effectively, there is other work that needs to get done before reaching this goal. For integrated reporting to become meaningful and broadly accepted, we believe that a shift in the culture of corporate reporting will be necessary, both in the reporting approach undertaken by companies' managements and in the mindset of report users. Accordingly, we recommend that the International Integrated Reporting Council (IIRC) focus on the changes that need to take place in how external reports are created (e.g. integrated management thinking and integrated reporting systems), in addition to the format or content of an integrated reporting framework.

Depending on the outcome of this process of discussion and request for comment, we are somewhat concerned that any level of premature mandated integrated reporting with the intention of addressing current financial reporting issues could impair rather than improve the quality of external reporting. It could lead to unnecessary incremental costs and might lead to reports that are marketing focused rather than tools used to communicate information for improved investor decision making.

Demand for integrated reporting

In today's business environment, there is general agreement that aspects of the current business reporting framework need to be streamlined. As well, there is an increased demand for meaningful quantified information about ESG issues that have the potential to affect investment decisions to be better incorporated into mainstream external corporate reporting.

Based on input we received, we found little support from either preparers or users of financial reports for an integrated report that would comprise an entity's primary report and which would reference other reports. To the extent that it simply constitutes an additional summary report, we heard strong feedback that this would increase the complexity and cost of report preparation. In addition, we heard this would offer questionable additional value for users who already have access to supplementary data for the information they want.

Accordingly, we recommend that the IIRC expand its consultations with the primary stakeholders in the financial reporting community to better understand their needs and concerns.

One report that meets all users' needs

The current approach to managing a company generally focuses on the financial performance needs of investors. External reports directed at demonstrating the fulfillment of these needs are critical for the well-being of Canada's capital markets.

Investors are increasingly looking to other information for investment decisions. In addition, other stakeholder groups are also interested in the company and its external reports, although not necessarily only financial performance. Various stakeholder groups (including investors) often have disparate non-financial information needs. What is relevant and material for one stakeholder group may not be for another. Accordingly, in our view, it may be challenging for a company to produce one report that satisfies, in any meaningful way, all users' needs in a clear and concise representation of how an organization demonstrates stewardship and creates and sustains value.

Advancing the concept of integrated reporting

As noted above, we agree that the concept of integrated reporting should be pursued and there are practical challenges to overcome.

We believe that most company leaders would need to re-engineer their approach to managing their businesses to integrate their thinking around the various "capitals" discussed in the paper if they are going to successfully produce an integrated report. Accordingly, we believe that a country by country outreach and education program needs to be undertaken to confirm and build support for integrated reporting.

The ideas expressed in the Discussion Paper could also be explored by companies in the context of their internal reporting. Further value of the vision that is articulated in the paper will be realized with an integration of internal and external reporting processes.

In the meantime, the IIRC could recommend that companies begin integrating their systems and processes to ensure a consistent approach to reporting the same piece of information for different purposes in different reports. This would be a positive step towards integrated reporting and an improvement for reporting generally. For example, ESG information often appears in both the



company's annual report and its corporate social responsibility report. Evidence suggests, however, that these reports are frequently prepared by different groups working in "silos" using different systems and processes. This approach can result in an entity presenting inconsistent information in different reports. A modification of this approach would be an appropriate first step toward integrated reporting.

Better standardization of ESG measures is another issue to be addressed in the move toward viable external integrated reporting. While the move to International Financial Reporting Standards is progressing the standardization of accounting measures, more work needs to be done to improve both the reliability and comparability in reporting ESG measures. In an international reporting environment this might be developed by an international group such as the Global Reporting Initiative in collaboration with the International Organization of Securities Commissions.

Finally, we note that the external audit is a significant contributor to the integrity of financial information and confidence in financial reporting. We believe the IIRC needs to continue to pursue the concept of integrated reporting in collaboration with the external auditing community to ensure that any eventual external integrated report is developed with sufficient criteria to enable an auditor to report on it.

We hope you find these comments useful. Should you wish to discuss them in greater detail, please contact Chris Hicks, CA at chris.hicks@cica.ca

Yours truly,

A handwritten signature in black ink, appearing to read "Kevin J. Dancey". The signature is fluid and cursive, with a large, sweeping flourish at the end.

Kevin J. Dancey, FCA
President and CEO