



中国注册会计师协会
The Chinese Institute of Certified Public Accountants

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Professor Mervyn King
Chairman
International Integrated Reporting Council
Clarence House, London SW1A 1BA
United Kingdom

December 5, 2011

Subject: Response to IIRC's Consultation Paper *Towards Integrated Reporting: Communicating Value in the 21st Century*

Dear Professor King,

The Chinese Institute of Certified Public Accountants (CICPA) is pleased to have the opportunity to comment on IIRC's Consultation Paper *Towards Integrated Reporting: Communicating Value in the 21st Century*.

Overall, CICPA is supportive of the Integrated Reporting Framework put forward in the discussion paper. We agree that the introducing of Integrated Reporting will bring with a broad range of benefits to the different participants in the reporting supply chain.

Attached please find the detailed response to the Consultation Paper.

Please feel free to contact me should you wish to discuss any of the points raised in this response.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Yugui Chen', written in a cursive style.

Yugui Chen
Vice President and Secretary General
CICPA

Response to IIRC's Consultation Paper *Towards Integrated Reporting: Communicating Value in the 21st Century*

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

Yes, we are in favour of improving how companies represent their value-creation process. With the development of economy and globalization, there is a clear demand for more transparency for companies, especially public companies to fully disclose their value-creation process to the shareholders and stakeholders such as regulators, customers, vendors etc. The traditional reporting model, however, focuses on a relatively narrow account of historical financial performance, so there is a gap between stakeholder's broad information need and the information provided by the traditional reporting model. Improving how companies represent their value-creation process can help meet the information needs of investors and other stakeholders.

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

Yes, while we agree the action should be international in scope, the framework needs to be flexible to be adopted by local, jurisdictional and national level. There are different regulatory regimes, business cultures and management philosophies being adopted and practiced around the world. It is important to respect these various differences including differences between publicly listed entities, private entities, state-owned enterprises.

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

Yes, we agree with the definition as currently defined. Traditional reporting including financial, management commentary, governance and remuneration report is separated, there isn't much connection between each other. In the new framework, such information will be integrated very well allowing investors to learn enough information so that they can make reasonable investment decisions.

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

We supported the development of Integrated Reporting Framework. However, as we put forward in the response to Q1 (b), we hope the framework needs to be flexible to be adopted by local, jurisdictional and national level.

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

Yes, we agree that the initial focus of Integrated Reporting should be on reporting by large public companies including public interested entities such as listed companies, non-public banks and insurance companies. We believe that the large public companies have a broad range of stakeholders and the information needs of those stakeholders are different, so by providing the Integrated Report, the large public companies can meet the information needs of the stakeholders. Also, larger companies have sufficient resources such as excellent talent, fund, IT systems and good relationship with other stakeholders to support the adoption of Integrated Reporting Framework.

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

We agree that the concept underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations. But for small and medium enterprises, it might be necessary to reduce the information disclosure requirement.

Q5. Are the organization's business model and 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?

Yes, we agree the organization's business model and its ability to create and sustain value in the short, medium and long term appropriate as central themes for the future direction of reporting. However, we suggest there should be a balance between the protection of business secret and reporting.

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

The concept of multiple capitals is helpful, but the concept is not new. We encourage the Council to provide further education materials on these concepts

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?

We appreciate the guiding principles as they are essential to sound reporting framework. As we know, IOSCO has in the past developed sound disclosure principles for publicly listed companies, we suggest IIRC to work with IOSCO closely to learn its experience in developing the disclosure principles.

Q8. Do the Content Elements identified in the Discussion Paper provide a sound basis 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 identified in the Discussion Paper provide an applicable basis for preparing an Integrated Reporting. We suggest more examples be provided for entities to use.

Q9. From your perspective:

(a) Do you agree with the main benefits of Integrated Reporting as presented in the Discussion Paper? Why / why not?

(b) Do you agree with the main challenges and responses of Integrated Reporting as presented in the Discussion Paper? Why / why not?

(c) Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)?

We agree with the benefits of the IIRC as presented in the Discussion paper. The framework will drive behaviour, improve transparency, instils good corporate governance, and contribute to the overall stability of the economy.

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

Yes, we agree the actions listed should be the next steps undertaken by IIRC. If Integrated Reporting is applied successfully, a series of actions need to be taken such as selecting appropriate experiment companies, convergence in standards and harmonizing regulators and policy-makers.

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

Pilot Program, Framework and Parallel innovation should be preferred and other actions such as Outreach, Harmonization and Governance may be taken subsequently.

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

If Integrated report becomes an organization's primary reporting vehicle in the future, what will be the audit implications to the auditors?