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## International Integrated Reporting Committee

Dear Sirs

### **Response to Discussion Paper: Towards Integrated Reporting – Communicating Value in the 21st Century**

We are writing to respond to the Discussion Paper: Towards Integrated Reporting – Communicating Value in the 21st Century issued by the International Integrated Reporting Committee (IIRC) in September 2011. In general, we support the IIRC's effort to develop a new approach to reporting.

Our response to the Consultation Questions set out in the Discussion Paper as below:

Q1.

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

Yes. The traditional reporting process is finance-oriented. By promoting Integrated Reporting, we believe stakeholders will benefit from a single coherent and consistent reporting framework, better understanding of an organisation's business model and its value-creation process, as well as the social, environmental and financial impacts of that operation.

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

Yes. Given the highly integrated international capital markets, we believe that promoting Integrated Reporting at the international level is a right way to start, though it may not be the easiest way. An international framework of Integrated Reporting not only enhances the comparability of reporting across the world, it also helps to raise the profile of Integrated Reporting.

Having said that, we believe the development of Integrated Reporting is a journey. By building up initial supports from the leading markets, eventually other markets will likely to follow suit.



Q2. Do you agree with the definition of Integrated Reporting on page 6? Why/why not?

Yes. In particular we agree that Integrated Reporting should demonstrate the connectivity between different pieces of information (financial vs. non-financial; financial vs. environmental vs. social) which are currently reported under different silos.

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

Yes. An International Integrated Reporting Framework can provide a single coherent and consistent guidance to organisations to implement Integrated Reporting. In addition, we suggest that the framework should be principle-based and allow flexibility for local adaptation so as to accommodate diverse business situations and local needs and requirements.

Q4.

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

Yes. We agree as larger companies tend to have more resources to support Integrated Reporting at this early stage of development. We also agree that the initial focus should be on the needs of investors as they are easier to identify and define. This also aligns with traditional reporting model thus create fewer obstacles and reduce initial resistance.

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

Yes. As we mentioned under Q3, if the framework is principle-based and allows flexibility for local adaptation, we believe that only the scale and emphasis will vary, but the basic concepts should be equally applicable to small and medium enterprises, the public sector and not-for-profit organisations.

Q5. Are: (a) the organization's business model; and (b) 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. The description of business model and its ability to create and sustain value provides a good context on the role of Integrated Reporting. However, in practice there could be implementation issues. For example, in East Asia, many of the large corporations operate as conglomerates with businesses/investments in

different sectors/industries. It may be difficult for these corporations to present a single business model in a simple way.

On the other hand, we believe that many of the investors/stakeholders are result-oriented. An alternative central theme could be the financial, environmental and social impacts (short, medium and long term) of an organisation's operation and the organisation's business model behind these.

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

Yes. The six types of capital mentioned are identified as areas we need to perform on for a sustainable business. The concept also helps to educate people that capitals employed by an organisation extend beyond their traditional understanding of financial capital, and the business operation will have different short, medium and long term consequences on these capitals as well.

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?

Yes, they are appropriate. We believe that the principles of connectivity of information and future orientation are of particular importance as they are often overlooked under the current reporting model.

Q8. Do the Content Elements 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 Content Elements that should be added? Why/why not?

Yes, they are appropriate. However, we think that the weighting of these content elements may be different in different organisations' reporting. For instance, many companies operated under the East Asian culture do not have specific strategic objectives other than "making money". As we mentioned, flexibility for local adaptation is a key to this framework.

Q9. From your perspective:

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

Yes. In particular, it helps an organisation to re-think the risks that it faced and the opportunities that are available. It also helps to bring down the internal "walls" between different functions and promote wider understanding and cooperation.

- (b) Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

Yes. In particular, we agree that it is a process for an organisation to develop its capacity to gather non-financial data for Integrated Reporting and to increase the robustness, efficiency and accuracy of collection and aggregation. Expanding the reporting scope may also increase directors' liability exposures and need to be carefully monitored.

In addition, we also suggest that obtaining senior management support could be a challenge for certain organisations in those markets where reporting is still perceived as a costly and non-value added compliance exercise. As a result, adequate resources may not be allocated and what supposed to be useful Integrated Reporting only ended up with boiler-plate disclosures.

Q10.

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

Yes, they are all sensible steps. However, we believe that it is also important for Integrated Reporting to be subject to a certain level of external assurance. Therefore, we suggest the IIRC to discuss with relevant assurance bodies to develop a corresponding assurance framework with respect to Integrated Reporting e.g. merge assurance of both financial and non-financial data together over time.

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

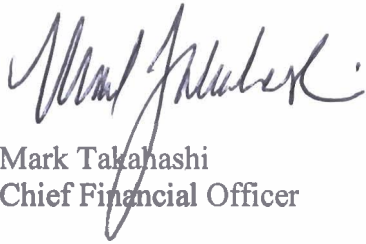
At this stage, we believe the development of a proper framework and increase its outreach should be of higher importance. We see that a proper framework serves as a basis to further promote and develop Integrated Reporting. It will be a long journey for Integrated Reporting to gain wide acceptance, therefore, raising its public awareness should be a sensible early step forward.

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

No.

We welcome the opportunity to comment on the Discussion Paper and, once again, would like to express our support for Integrated Reporting, with a view to enhance the quality of corporate reporting and ultimately, achieve good corporate governance.

Yours faithfully

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

Mark Takahashi  
Chief Financial Officer

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