



The Edinburgh Group
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The Chairman
International Integrated Reporting Committee
c/o The Prince's Accounting for Sustainability Project
Clarence House London
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Dear Sir

Towards integrated reporting – communicating value in the 21st century

On behalf of the Edinburgh Group (EG), I am delighted to have the opportunity to respond to the above discussion paper by the IIRC.

As you may be aware, the EG is a global alliance of 14¹ accountancy bodies which aims to champion issues facing professional accountants in business, small medium-sized enterprises (SMEs), small medium-sized accountancy practices (SMPs) and developing nations within the International Federation of Accountants (IFAC). We represent approximately 900,000 professional accountants across the world. We aim to ensure that all sectors of the accountancy profession are represented in the International Federation of Accountants (IFAC) in a proportionate, balanced manner and that the diverse character of the profession is reflected in its work. We also collaborate and engage with influential organisations to promote key issues.

Given the focus of the EG on SMEs, I have provided answers below to questions 4 (a) and (b):

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?

SMEs are a vital part of both developed and developing economies because they play an important role in creating jobs and innovation, they support stability and macro economic growth, and are also themselves an engine for growth. In OECD countries, SMEs represent 95% of all enterprises, accounting for two-thirds of employment and are the main source of new job creation. SMEs therefore need to make a significant contribution to control CO2 emissions. For lending institutions (such as

¹ The Association of Chartered Certified Accountants (ACCA), Corpul Expertilor Contabili si Contabililor Autorizati din Romania (CECCAR), Certified General Accountants of Canada (CGA Canada), Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili (CNDCEC), CPA Australia, The Eastern Central and Southern African Federation of Accountants (ECSAFA), Interamerican Accounting Association (IAA), Institute of Chartered Accountants of India (ICAI), Institute of Certified Public Accountants in Ireland (CPA), Institute of Certified Public Accountants in Israel (CPA), Ordre des Experts Comptables de Tunisie (OECT), Royal NIVRA, The South African Institute of Professional Accountants (SAIPA), TURMOB (Turkey)

banks), suppliers, governments and the general public it will be increasingly important to understand the impact SMEs have on the wider environment. The EG is therefore of the opinion that integrated reporting is as much relevant to smaller entities as to larger companies. However, the EG believes that the peculiarities of smaller entities relating to decision making, information gathering, differences in stakeholders, impact of reporting costs, and reporting addressees should be considered. The value concept, which is crucial to the Discussion Paper, should be referred not only to complex organisations and capital markets, but also to the SMEs sector. We believe in the concept of 'think small first'. The model should be based on a bottom-up approach, rather than on a top-down one. This would consist of considering the relevance of integrated reporting to SMEs first and then adding further guidelines or aspects related to larger and more complex entities. .

(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?

The EG believes that it will be necessary to include the SMEs sector, public sector bodies and not-for-profit organisations in the IIRC's pilot programme.

It is clear that SMEs, not-for-profit organisations and public sector bodies also face longer term issues of sustainability. However, the proposed investor focus is not a very helpful model for them as they may not have investors in the same way as public companies. Setting the initial focus on investors may make it difficult to alter the concepts at a later date, especially as this will determine the whole nature of future reporting.

The EG therefore believes a modular approach should be considered, taking into account each entity's size, sector and business model.

I would again like to stress that the EG is of the opinion that inviting one of its representatives to become a member of the IIRC would be valuable. I do believe that the EG has a unique composition and that we can add value to the development of a globally accepted integrated framework. At this formative stage it is critical to ensure that the needs of SMEs, SMPs and developing nations are fully considered. Our inclusion will help to ensure that the IIRC has a broader impact across the entire accountancy profession. The EG strongly believes that integrated financial reporting is a critical issue for the entire profession.

We also offer our support in working with you to better understand the needs of SMEs in regard to integrated reporting. We stand ready to help in a variety of way including supporting your technical committees.

Please do not hesitate to contact me should you have any questions.

Yours faithfully



Roberto D'Imperio
Chair – Edinburgh Group

CC: Stephen Heathcote, Secretary – Edinburgh Group