The IIRC welcomes comments on all aspects of the Discussion Paper from all stakeholders, whether to express agreement or to recommend changes. Your answers to the Consultation Questions, and any other comments you would like to make, should be submitted on this form (submitted electronically at end of document) or sent via email to dpresponses@theiirc.org.

For the purpose of analysis, you are asked to identify the organization to which you belong and where it is located. All comments received will be considered a matter of public record and will be posted on www.theiirc.org.

Comments should be submitted by Wednesday 14th December 2011.

Name	Stephen Haddrill
Title	Chief Executive
Organization	Financial Reporting Council (FRC)
Country	United Kingdom
Email	s.haddrill@frc.org.uk

Type of Stakeholder (please tick one as appropriate)

- ○ Academic
- ○ Analyst
- ○ Assurance Provider
- ○ Business
- ○ Consultant
- ○ Government
- ○ Inter-Governmental Agency
- ○ Investor
- ○ Labour Representative
- ○ Non-Governmental Organization
- ○ Professional Body
- ○ Rating Agency
- ○ Standard Setter
- ○ Student
- ○ Think Tank
- ○ Trade or Industry Association
- ◉ Other, please specify below

Regulator.

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

The FRC is the UK's independent regulator responsible for regulation and standard setting in corporate governance, accounting, auditing and actuarial matters. We have a keen interest in improving the quality of corporate reporting and have been working on proposals to achieve this, in particular through our work on 'Effective Company Stewardship' and, with the UK Government, revising the requirements for narrative reporting by companies. These steps, we believe, are taking the debate forward in the UK, albeit at this stage with an emphasis on the business objectives and strategy of the company for achieving those objectives, and the risks it faces in achieving that strategy. In this respect, the FRC takes a keen interest in the proposals being developed by the IIRC and supports the ultimate aim of creating a framework for reporting that can bring together the different strands of reporting into a coherent, integrated whole. That said, the proposals are at an early stage and will take some time to be developed and tested. As such, while the FRC would support the promotion of the concept of integrated reporting on a voluntary basis, we would not support any measures at this stage to mandate its use.

The World has Changed – Reporting Must Too (page 5 of the Discussion Paper)

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

Yes, the FRC agrees that such action is needed and this has been a theme of much of our work in recent years (as noted, for example, in the answer to Question 5 below).

Q1. (b) Do you agree that this action should be international in scope? Why/why not?

Yes. The increasing globalisation of business requires issues to be considered on a global basis. The development of an international framework for integrated reporting would build on similar initiatives in related areas, notably the work of the International Accounting Standards Board (IASB) on developing a single set of globally-accepted accounting standards, and that of the International Auditing and Assurance Standards Board (IAASB) on International Standards of Auditing (ISAs). In our view, taking an international approach at an early stage should encourage national and regional policy-makers and regulators to take a consistent approach in developing their regulatory reporting regimes.

Towards Integrated Reporting (page 6 of the Discussion Paper)

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

An International Integrated Reporting Framework (page 8 of the Discussion Paper)

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

Yes, for the reasons set out in the answer above to Question 1(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?

Yes, for the reasons set out in the DP. It is the larger companies who are increasingly operating on a global stage and whose activities and ability to create and sustain value in the longer term will impact most on participants in the world's capital markets. We agree that the focus should be on the needs of investors, although the information in an integrated report will be of interest to other stakeholders. Focusing on investors should help in making an integrated report the clear and concise representation of the business that it being sought. If a report had to focus on wider stakeholder needs, it runs the risk of becoming lengthy and cluttered.

Q4. (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, in principle, although the implications of applying the concept to such organisations would need to be the subject of a thorough effects analysis, including an assessment of the costs and benefits. The UK Government has already taken steps in the direction of integrated reporting by encouraging public sector bodies to disclose information about their sustainability and environmental performance via their annual reports and accounts.

Business Model and Value Creation (page 11 of the Discussion Paper)

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 FRC has for a number of years been pushing for better reporting by companies of their business models and in 2010 introduced a provision into the UK Corporate Governance Code that the directors should include in the annual report "an explanation of the basis on which the company generates or preserves value over the longer term (the business model) and the strategy for delivering the objectives of the company". This followed a review of narrative reporting by the FRC's Accounting Standards Board in October 2009 which revealed that many of the strongest reports examined included a business model disclosure.

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

Yes. We think that the concept will help companies think widely about the full range of resources and relationships they depend on to support their long-term viability. We welcome the fact that it is presented as only one way in which the capitals can be categorised or described and, as the DP notes, the extent to which different organisations use or impact each of the capitals will vary. Testing the viability of the concept will be an important feature of the Pilot Programme.

Guiding Principles (page 12 of the Discussion Paper)

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?

In principle we support the proposed approach, although again it will be important to test the appropiateness and applicability of the Guiding Principles in the Pilot Programme. In particular, the relationship between the 'Responsiveness' and 'Conciseness' principles will need careful thought. As noted above, we agree that the focus of integrated reporting should be on needs of investors, and on matters most material to long-term success, but trying to accommodate 'stakeholder inclusiveness' runs the risk of reports including a range of other matters, which could add to the length and 'clutter' of reports. In this regard, determining materiality will be key.

Content Elements (page 15 of the Discussion Paper)

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?

Again, in principle, we support the proposed approach, which will be tested as part of the Pilot Programme. The proposals reflect the approach taken by the IASB in its Management Commentary Practice Statement and by the ASB in its Reporting Statement on the Operating and Financial Review. The Content Elements should be used as a framework for what should be included in an integrated report, rather than a specific template. The IIRC should make clear that it is for organisations to determine themselves how best to structure their reports and the precise content in a way that best reflects their own particular facts and circumstances.

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policymakers, regulators and standard-setters – page 23, Other perspectives – page 24 of the Discussion Paper)

Q9. (a) From your perspective: Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

We certainly agree that harmonising approaches to regulation would be a major benefit, and is a theme which the FRC has been pushing for in recent years, for example in our 2009 DP on reducing complexity in corporate reporting 'Louder than Words'. While we also agree that all the benefits set out are desirable, the contribution of integrated reporting to achieve them has still to be tested. In this respect, the reaction of the investment community to integrated reporting and the impact it will have on their decision-making and assessment of the stewardship of companies will be key.

Q9. (b) From your perspective: Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

Yes. We also agree with the challenges as set out for the other perspectives, which are inter-linked. The challenges should not be underestimated and getting the engagement of the global investment community will be key in overcoming them.

Q9. (c) From your perspective: Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis (from the perspective of investors)? Why/why not?

While we certainly hope and think that integrated reporting will provide useful information for analysis, it is for investors to answer this question.

Future Direction (page 25 of the Discussion Paper)

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, but as noted in our covering comments, we think that the Pilot Programme should run for the full two-years as planned before the IIRC develops an Exposure Draft (ED). We think that the first year of the Pilot Programme will be very experimental and the second year of testing should provide an opportunity to learn by experience, which in turn could provide valuable insights for the drafting of any ED. In terms of other significant actions, we think that the IIRC should take forward as a priority the assurance implications of integrated reporting and the role of the audit and assurance community. At present, the DP makes only very limited reference to assurance (on page 24).

Q10. (b) What priority should be afforded to each action? Why?

The main priority should be on taking forward the Pilot Programme and ensuring that the proposed framework is workable and can achieve effective integrated reporting. Of the other actions, outreach is key, in particular with the global investment community. Without their active engagement and enthusiasm, the incentives for companies to adopt integrated reporting will be that much less. Engagement with the regulatory community is also a priority action, to encourage the adoption of a consistent approach globally, rather than the development in a piecemeal fashion of national and/or regional initiatives.

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

The FRC and its Operating Bodies, as well as many other commentators, have expressed concerns in recent years about the increasing length and detail of annual reports and there is a fear that integrated reporting would simply exacerbate that trend. We acknowledge that the IIRC does not want this to happen, but the early experience of integrated reporting from South Africa and the preparation of very lengthy reports suggests that this is a real issue that will need to be tackled.

We welcome the proposal to conduct a full two-year Pilot Programme to encourage experimentation and innovation among companies and investors, which we think should run for the full two years before any Exposure Draft is developed. As you may be aware, the FRC has launched a Financial Reporting Lab with a similar mandate to encourage experimentation and innovation to identify practical solutions to reporting problems, and we would willing to discuss with you whether the Lab could be a tool to assist you in the Pilot Programme phase.

Additional questions: These are NOT compulsory but will help with analysis if completed

I have provided feedback that reflects:

- ☐ Personal interest
- ☐ Interest of an organization, please provide the name of the organization:

Which best describes your involvement with sustainability reporting?
Please tick all that apply.

- ☐ Reporter (prepare a report for my own organization)
- ☐ Consultant (report preparer on behalf of a third party)
- ☐ Assurance provider
- ☐ Report reader (read reports for the purpose of evaluating or analyzing organizations)
- ☐ Other, please specify:

Please indicate how many years of experience you have with sustainability reporting:

- ○ No experience
- ○ Less than 1 year
- ○ 1-5 years
- ○ More than 5 years

Submit to the IIRC