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Corporate Development

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Comments to the IIRC Discussion Paper

The World has Changed – Reporting Must Too (page 4)

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

Yes: Create / improve comparability between different companies within the same and amongst different industries; better understanding of value creation process (→ “HOW do we create value?”)

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

Yes, otherwise there might be national solo-attempts

Towards Integrated Reporting (page 6)

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

Yes. It is important to us, that sustainability is not considered as an afterthought, but rather as the core element of our business model and our strategy. Therefore integrated reporting is the logical consequence of explaining how we run our business.

Maybe the focus should be more on people/social capital

An International Integrated Reporting Framework (page 8)

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

Yes. An international framework of strong and / or trustable companies is needed to give the Integrated Reporting movement the necessary boost in order to overcome resistance that will/could come up (internal / external resistance). In this respect it is very important to have the "Big Four" consultancy firms on board (Otherwise one might come up with a similar, but slightly different idea). An important issue will be the assurance of integrated reports ("one report → one assurance")

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. Larger companies should be the driving force of IR. These kinds of company are mostly listed on the stock market, and investors need the transparency IR provides. Although often enough, small companies might do more and have a better sustainability performance, they are not always as good in reporting and making these information public. Nevertheless IR should be set up to be as easy to use as possible in order to allow smaller companies to make integrated reports as well.

(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, regarding the basic concept. But it still has to be considered that the more suitable one is for trying to adapt the concept to different industries, the more complicated and more difficult it might become to handle, making it more difficult for small companies to use as well.

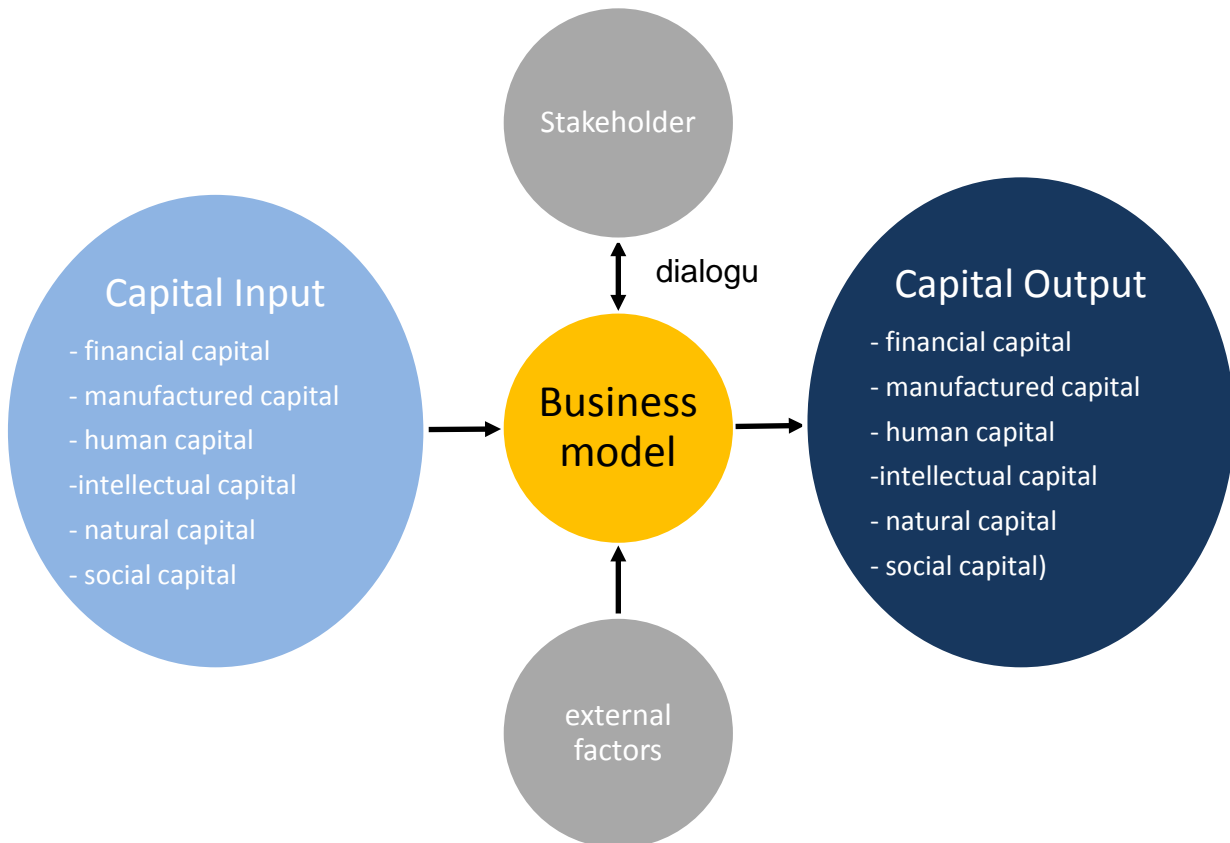
Business Model and Value Creation (page 10)

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 business model is not only influenced by internal capitals, but also to a large extent by external factors (economic, social and technical trends, including intangible factors) and especially by the company's stakeholders. Stakeholder dialogue (bidirectional) is an integral part of our business model. These influencing variables should also be illustrated in the business model.

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

Yes. In our view the concept illustrates the value creation process in a very condensed way, but should be extended by the Stakeholder Dialogue:



In Germany, the term “human capital” is critical and often interpreted in a negative way. The German word “Humankapital” was elected the faux-pas word in 2004, because according to the critics it “reduces humans to economically relevant production factors”. Although we don’t agree with this kind of argumentation, “resources” might be a more suitable term.

“Natural capital” and “social capital” are tricky, because the company uses / benefits from this sort of capital, but doesn’t own it.

Basically the quintessence should be to illustrate the way how the company is creating value and not what it spends its money for.

Guiding Principles (page 13)

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?

The guiding principles are generally appropriate, but maybe not precise enough in order to apply them to all the different industries.

Content Elements (page 14)

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?

We suggest to combine the content elements “Strategic objectives” and “Future outlook”, because both elements deal with the question: “Where do we want to go and how do we get there?”.

Basically the core elements are closely linked to each other (since we are talking about an integrated report), but there might be redundancies between the core elements. Maybe the core elements could be defined more precisely and more clearly differentiated from each other. There are no more core elements that we would like to add.

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policy-makers, regulators and standard-setters – page 23, Other perspectives – page 24)

Q9. From your perspective:

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

Absolutely, and therefore we already publish an Integrated report.

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

The alternative pathway for writing a „combined report“ as a first step might be tricky, because the “two worlds” (financial and extra-financial) keep on living next to each other rather than growing together. IIRC should aim to bring forward an “integrated assurance” which includes the financial and the non-financial part of the report (“One report → one assurance”).

A challenge will also be to gain acceptance across national boundaries and industry boundaries. Therefore it is crucial to gain “national and industry bridgeheads” (respectively “frontrunners”) in order to promote IR in their environment.

Integration of upcoming major frameworks in reporting (i.e. G4, ISO 26000 etc.)

(c) 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?

IR can be the main driver for transparency if it manages to be regarded as a widely accepted framework.

Future Direction (page 25)

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?

OK

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

A major milestone will be the publishing of the Exposure draft in 2012. Harmonization with all kinds of national / international frameworks will be a key challenge for this journey.

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

The Discussion paper of the IIRC is a giant leap for transparency in business reporting. We explicitly express our respect to all those who contributed to this paper. But still it is only a first step towards a long journey – but a very promising one.

The paper gives a clear picture of the way the value creating process should be disclosed in the future, but still there is some more content to add. It might be necessary to sharpen some of the definitions (i.e. guiding principles, content elements). A challenge will be to keep the paper compact and condensed in order to gain the necessary acceptance.

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