

IIRC Consultation Questions

I provide my considered response to the Discussion Paper below. Please note that the comments do not represent my organization's view, but are purely a personal response to the paper.

1a. I am supportive of further action to help improve organization's understanding and reporting of the value creation process. However, I do have a number of concerns.

- I am concerned that we are using the same thinking to evolve further actions as the thinking that has brought us to this juncture. As a consequence further actions will just be more of the same.
- I am concerned that we are still focusing on a relatively ineffective 'pull' action, and not focusing on the essence.
- I am concerned that the extent of resources envisioned for a Integrated Reporting framework will be much greater than the benefits.
- I am concerned that the current actions by the pilot group will have already set the tone and direction for further work. I would have expected a questionnaire to have preceded the pilot work.

1b. Yes, I agree that the action should be international in scope but very much focused locally. I am aware that there is an aspirational goal to be able to interpret Integrated Reports across sectors, which has not been possible with the GRI.

2. I do not agree with the definition of integrated reporting as given in the paper on page 6. In my opinion this is a definition for combined reporting and only gently extends the scope of sustainability reporting without adding any significant value. Focus remains on the reporter, and essentially an outcome that could result in a box-ticking exercise.

There may be agreement that an integrated report needs to focus and report on the organization, its context and how the flows of capital are exploited between the stakeholders and capital users. However, I envision the focus on interconnectivity or interdependence, not the reporter alone. How else can one examine efficiency in capital use and replenishment if one does not report with a relevant boundary? Reference is made to, Sustainability Values, page 289 in Porritt's book Capitalism As If the World Matters.

There is a further alternative focus for a future reporting framework. An integrated

report could focus on defining a sustainable boundary required an organization's activity. This would encompass all those stakeholders and partners that are needed to ensure sustainability, for example as that defined by the Natural Step.

3. I do support the development of an international reporting framework. However if the development of the framework uses the same thinking as that for current reporting, it will not be sufficient to deliver on the aspirational changes outlined in the Discussion Paper.

4a. If the primary focus is to impact the perception of financial/economical value then yes the initial focus should be by larger companies and the needs of their investors.

The integrated reporting is being established as a 'pull'. It is widely recognized that the pull also needs a corresponding push from the sell side of the capital market. That market does not sufficiently use currently available information and it is questioned whether they would be at all interested in an integrated or combined version.

I would therefore propose that instead of this massive effort to develop the IIRF, resources are applied to develop a protocol for all current reporters to detail how their pension funds, provident schemes and large capitals savings/investments are being invested sustainably. This would force institutions and investors, the sell side, to take sustainability understanding into their daily work and not only focus on their ROI. In my opinion such a requirement would have much more of a market impact than a future IIRF with considerably less use of resources. This development would also shed light on how underlying businesses are also being invested in for sustainable future operations, thereby balancing the long term ROI.

4b. I agree that the concepts underlying integrated reporting should be equally applicable to small and medium enterprises organizations, the public-sector and non-for profit organizations. However the current definition and thrust of the framework will not be able to provide a sufficiently broad skeleton to fit the aspirations.

5a. I agree that both the organization's business model and the ability to create and sustain value are appropriate as central themes to the future direction of reporting. The same should also be applied as to how the organization invests its pension/reserve funds.

I have further concern as to commercial competence issues and a general fear of being too visible and transparent. This also raises the spectre of these kinds of reports being manipulative and connecting to issues regarding assurance and application level (as referenced in the GRI).

5b. Together with the discussions in Porritt's book, I find the concept of multiple capitals intellectually helpful but practically confusing. It is of little or no interest to sell side market outside of pending liabilities/fines in conjunction to the five capitals use. I believe the use of capitals will not provide the envisioned breakthrough for developing or using reporting information.

6. I refer back to the issue of monitoring and measuring interdependence noted above in my response to Question 2. I doubt whether the inclusion of multiple capitals would be beneficial to all parties. The incorporation of the capitals and guiding principles appears to complicate the focus excessively.

7. Within some balance, the guiding principles provide a sound foundation for preparing a report. However they are not universally and collectively appropriate for all and they may not be individually appropriate, depending on the reporter. I expect that the wide spread use would only be attempted by an experienced reporter. Using 6 capitals and 6 guiding principles is a recipe for an involved and large less useful report.

8. The Content Elements as described can be used to provide a sound foundation for preparing a report. I do not find the exclusive use of the elements to determine whether a report would be integrated or not.

9a. I agree that there is a need to improve reporting and evolve reporting scope and depth of reporting. My organization has been publishing sustainability reports for 11 years and has continuously developed its reporting and the internal thinking related to the reporting process. I am not in agreement that the Discussion Paper presents the only or the best way forward.

9b. The main challenge remains to get mainstream usage of the reported information. I believe this could be done in other means rather than through a labour intensive development of Integrated Reporting, and I have provided alternatives above.

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