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International Integrated Reporting Committee

Submitted by email to: dpresponses@theiirc.org

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Dear Sirs

re Towards Integrated Reporting – Communicating value in the 21st Century

The Institute of Chartered Secretaries and Administrators (ICSA) is the international qualifying and membership body for the Chartered Secretary profession.

We are writing primarily to confirm our support for your ambitions further to encourage, and develop an international framework for, integrated reporting. We would like to make some general comments, as follows:

1. We believe that the annual report does need to respond to the interests of other stakeholders as well as those of the shareholders. This reflects the changes in landscape (to which you refer in your discussion paper as the reasons behind the need for integrated reporting), which have already been recognised in the Companies Act 2006 to some extent:

- S172: the directors' duty to promote the success of the company having regard to the interests of other stakeholders; and

- s417(5): the requirement for a company to consider what needs to be reported on environmental, social and community matters in the business review.

  We believe however that a level of flexibility will always need to be maintained as the appropriate level of integrated reporting will depend on the business, and how business-critical the various stakeholder interests are.

2. We support the idea that while standards of reporting in the various streams (strategy, governance, CSR etc) have risen, there is more to be done in the UK and internationally, and of course in some jurisdictions more than in others, to bring together the key aspects of these areas into one meaningful narrative.

   For example, while we are aware that different practices suit different companies, we are not particularly in favour of a separate CSR report as we think that anything of importance should be reported within the annual report. Further, in our recent response to BIS on narrative reporting, when responding on how to deal with the reporting of human rights, we raised the question of whether we should be avoiding further prescription, and moving to a position where corporate social responsibility reporting is integrated into the reporting of how businesses are run, and not bolted on. To achieve this, companies should be left to use their own judgement as to which CSR issues are strategically important to their businesses, and to report on them, as they consider appropriate, within the description of their business. Within the context of the current reporting requirements for other CSR matters, we did, on balance, support the proposal for the disclosure of information regarding human rights to the extent necessary for an understanding of the company's business.

3. We have expressed our support to BIS for its proposal for a Strategic Report as it is our belief that this will result in a more focussed and relevant reporting model, and we believe that for the UK this proposal is the right step to take at this time on a longer journey towards a more integrated report. If your work on an international framework can encourage governments and regulators internationally to take a more harmonised stance this will better enable those companies to meet the various requirements, while avoiding compromise on a meaningful narrative. One small example is the US requirement to list all risk factors relating to the company and the industry, rather than the requirement in the UK to disclose the principal risks and uncertainties facing the company.

4. We agree with your proposition that today a company's value is not just reflected in its balance sheet and physical assets, and that there will be a need to develop further, over time, the disclosure of material information from your various 'capital' headings (financial, manufactured, human, intellectual, natural and social) with explanations as to how the key factors interconnect. Companies will increasingly need to show they understand the impact of their behaviour across these areas. The precise details of which forms of capital should be disclosed under your framework are something to which we would need to give further consideration, in consultation with our members.

5. Our support ultimately stems from our belief that reporting does affect decision making and behaviour. This is well illustrated by the ICSA Hermes Transparency in Governance Awards, which are now in their third year. (We were glad of your involvement this year.) Through these awards we seek to encourage better governance through better disclosure. Greater levels of transparency allow for more meaningful engagement, and in return the company can benefit from greater commitment and loyalty from its shareholders and other stakeholders. It is important for companies to be encouraged to take a holistic view of the impact of their decisions.

6. We would be wary of any reporting model which required assurances from auditors beyond their current remit. They should continue to comment, as they do now, if there are inconsistencies between the narrative and audited sections. Any extension of their remit could lead auditors to need to do more work in areas where they may not be the best judge, and result in a significant increase in audit fees.

We were interested to hear the views of two of the fifty companies engaged in your pilot project on your Webinar on integrated reporting, HSBC and M&S, and look forward to hearing about the conclusions your draw from this pilot project and the discussion paper responses.

Yours faithfully

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