

The Secretariat  
International Integrated Reporting Committee

12 December 2011

Dear Sir/Madam

**Discussion Paper - Towards Integrated Reporting - Communicating value in the 21<sup>st</sup> Century**

This letter represents the views of Marks and Spencer Group plc in response to the questions in the Discussion Paper published in September 2011. We support the concept of Integrated Reporting and the questions raised by the Discussion Paper in relation to Corporate Reporting.

The success of the IIRC framework is, however, dependent upon the Committee leading the way and ensuring that the initiatives being developed by other bodies who are currently considering narrative reporting, including BIS and the European Commission, are in line with the IIRC.

The framework also needs to be sufficiently flexible to allow changes to the content of the integrated report when appropriate, going forward, to maintain a concise relevant report with material information for key investors.

The implementation of best practice must involve the investor community, auditors and regulators to ensure that the Integrated Report meets their requirements, without the addition of less relevant disclosures for comparability or regulatory purposes.

Our responses to the questions are in the appendix to this letter.

Yours sincerely



Alan Stewart  
Chief Financial Officer

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

Technical requirements for both financial and sustainability reporting continue to expand across the world as separate silos. We agree that there is a need for guidance on how financial, social and environmental value can be represented in an integrated format. The current framework has developed with add-ons over the years and has led to the evolution of annual reports that are very long and contain excess disclosures that are not relevant to the shareholders. The different sections of the annual report are often prepared by different teams, and there can be a lack of connectivity between the strategy, risk analysis, and the performance measures. This leads to a lack of clarity over the organisation's ability to create and sustain value in the short, medium and long term.

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

Different regions of the world, such as the UK and EU, are addressing the issue of sustainability reporting. A common international best practice framework will help provide consistency to companies and investors. However, the IIRC must work collaboratively with the requirement of national regulators in order to deliver a framework that does not add to the regulatory burden for preparers.

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

We agree that the main output should be a single integrated report to act as the primary report for key investors, focussing on the matters that the organisation considers most material to long term success.

However, existing audiences for sustainability reports who require information to benchmark performance across a wide range of individual social and environmental impacts will continue to do so. It may be that the additional information required to satisfy regulatory requirements and the other audiences for sustainability reporting continues to be available, potentially electronically, while the integrated report is distributed to the investors.

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

We support the development of an International Integrated Reporting Framework which meets the needs of investors. However, the needs of other report using audiences will have to be considered separately, as noted above.

**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?**

No comment.

**(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?**

No comment.



**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?**

The company's business model and its ability to create value whilst mitigating risks are appropriate central themes, as well as their linkage to the business strategy and KPIs.

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

The fiduciary duty of investors is to maximise financial returns for their clients taking into account differing levels of risk appetite. As such, an investor's interest will necessarily focus on financial capital and how environmental and social issues may affect that financial capital. As such, it is likely that there will not be equally weighted investor interest in all of the capitals. However, consideration of all of the capitals in this model should ensure that all of the relevant resources are captured.

**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?**

We support the Guiding Principles as detailed.

**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 believe that the suggested Content Elements provide a sound foundation. There is the opportunity to:

- Provide investors with the relationship between the current/future prospects and the significant social and natural capitals, expressed in financial terms; and
- Distinguish between which information is material and should therefore be included in the Integrated Report; and
- Ensure that the information included in the integrated report is comparable between organisations and consistent over time.

However, there are challenges involved in:

- Presenting the linkage between financial performance and the organisation's use of, and impact on, the significant resources and relationships upon which it depends as it is not always appropriate or possible to translate non-financial measures into financial measures; and
- Analysing the relationship between past and future performance – including targets, forecasts, projections, estimates and sensitivity analysis as this is competitively sensitive information.

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

We agree with the list of stated benefits though would add that Integrated Reporting also creates the opportunity for companies to better communicate their value creation strategies to investors. This may result in increased access to financial capital.

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

We believe that the main challenges to delivering an Integrated Report are those outlined in the Discussion Paper, with particular emphasis on Regulation, Commercial confidentiality and Information Systems.

**(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?**

A move to Integrated Reporting will improve the quality of information on sustainability issues reported to investors based on strategy specific KPIs.

**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?**

We agree the actions listed.

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

The IIRC should aim to publish an Integrated Reporting Framework based on both principles and technical best practice, taking into consideration the contributions from the Pilot Programme. While the Pilot Programme is being run, the IIRC should seek to deliver the 'harmonisation' and 'governance' it has outlined.

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

In order to ensure that the integrated report achieves its aim of being a concise relevant report with material information for key investors it is essential that a company is able to implement this effectively. This may mean that the integrated report lacks some comparability to other companies where the material information may not be aligned. The implementation and development of best practice must involve the investor community, auditors, and regulators, to ensure that a concise report can be delivered that meets their requirements, without the addition of less relevant disclosures for comparability or regulatory purposes.

The IIRC must also work closely with the other bodies who are currently considering narrative reporting, including BIS and the European Commission, to ensure the final proposals from these organisations are in line with the IIRC framework.

The framework also needs to be sufficiently flexible to allow changes to the content of the integrated report when appropriate, going forward, to maintain a concise relevant report with material information for key investors.