

14 December 2011

Paul Druckman
Chief Executive Officer
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Clarence House
London
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By e-mail: dpresponses@theiirc.org

Dear Sir

DISCUSSION PAPER – TOWARDS INTEGRATED REPORTING - COMMUNICATING VALUE IN THE 21ST CENTURY

On behalf of RSM International Limited, a global network of independent accounting and consulting firms, we are pleased to have the opportunity to respond to your request for specific comments on the aforementioned Discussion Paper issued by The International Integrated Reporting Committee (IIRC).

We encourage further development of Integrated Reporting, and support the overall aims and objectives of the Committee to create a wider reporting framework taking account of the greater needs and expectations of stakeholders.

Our comments have been formulated in line with the Consultation Questions set out in the discussion paper as issued and are detailed below.

1. (a) Do you believe that action is needed to help improve how organisations represent their value- creation process?

In general terms we would agree that current traditional reporting models do not appear to be meeting the requirements of corporate stakeholders. Traditional financial reporting frameworks have become extremely complex as have those being utilized in Sustainability Reporting. This results, when combined with equally complex regulatory and governance

reporting, in extremely lengthy and complex reports which stakeholders are not able to utilize effectively. Information presented is often presented in order to meet specific compliance or legislative requirements with little consideration made as to whether it adds value to stakeholders' information requirements. In addition it is generally historic and provides little information about an organisations risk profiles and strategies.

Stakeholders are becoming increasingly sophisticated and are clearly demanding far broader types of information. Simultaneously, however, they require this information to be concise, relevant and easily understandable. It is thus apparent that organisations do need guidance in how best to represent their value-creation process.

Guidance should be principles-based rather than rules based because the latter could lead to organisations following a compliance approach resulting in boilerplate disclosure rather than seeking to provide information which is relevant to stakeholders.

(b) Do you agree that this action should be international in scope?

Given the increasing sophistication of stakeholders and the fact that information is available without regard to geographical borders, comparability and consistency in reporting becomes increasingly vital. It is imperative that such action is international in scope.

2. Do you agree with the definition of Integrated Reporting?

The definition is detailed and in our view meets our understanding of the concept of Integrated Reporting. We have some concerns about whether an Integrated Report will be accepted as the primary statement, and where that is not the case we would be reluctant to support an additional report.

The pilot programme should be used to develop the framework, content elements and whether it is feasible for the Integrated Report to become the organisation's primary report.

3. Do you support the development of an International Integrated Reporting Framework?

Subject to the learnings arising from the IIRC's Pilot Programme we support the development of an International Integrated Reporting Framework. In our opinion it is only through such a framework that stakeholders will be able to consider information provided by organisations

that is comparable without consideration of geographical borders. Clearly real benefits need to outweigh real and perceived costs.

4. (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?

It is understandable that the initial focus of Integrated Reporting is on larger companies as they are more likely to possess the resources necessary to produce such reporting.

However, the focus should not be limited to investors. Given the broader scope of the nature of information that would be incorporated into an Integrated Report, a wider stakeholder base should be considered. As users of an Integrated Report are likely to be far broader in scope than an organisation's investor base.

In addition, very often, the supply chain to larger organisations is smaller entities. This is likely to result in larger organisations needing some form of assurance over the information provided by small entities in order that their Integrated Reports comprise the aggregation of relevant information through the supply chain. The resources and capabilities of small entities need to be considered and, where necessary, guidance framed with small entities in mind.

(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 organisations?

The concepts underlying Integrated Reporting could apply to all of the organisations detailed above. However, any requirements need to be proportionate to the resources, capability and benefit to the organisation in question. Differences will arise in the needs of the stakeholders likely to use the Integrated Reports. The information being presented is likely to be different for organisations depending on the needs of their stakeholders. However, the framework needs to deal with the fact that small entities may be asked to provide information for aggregation into the Integrated Reports of larger customers (see above). The benefits of small and medium enterprises providing Integrated Reporting need to be commensurate with the costs of providing such reporting.

5. Are (a) the organisation'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?

The wide variety of definitions and interpretations of the phrases "business model" and "value" in different jurisdictions need to be addressed. However, we believe that these are appropriate as themes for the future direction of reporting.

Most Stock Exchanges have specific regulations regarding the presentation of prospective and forward-looking information. The legal and regulatory impact of including such information in Integrated Reports would need to be considered with relevant national authorities.

6. Do you find the concept of multiple capitals helpful in explaining how an organisation creates and sustains value?

The concept of multiple capitals is useful, as these, in combination with the organisations business model provide clear guidance as to how the organisation creates and sustains value. For the concepts to be applied successfully will need more work around measurement methodologies if reporting is to be consistent and comparable.

7. 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?

The guiding principles are appropriate both collectively and individually and do provide a sound foundation for the preparation of an Integrated Report.

There are two related difficulties with the applying the concept of materiality to Integrated Reporting. Firstly, companies do not have an objective framework to apply concepts of materiality to the new types of non-financial information envisaged. Secondly, assurance providers will also need to develop a related framework upon which to base assurance assessments and decisions. Without a sound framework for determining materiality for non-financial information, independent assurance reports will vary considerably in their value to stakeholders.

In addition consideration should possibly be made as to whether independent reporting as to whether such information is "materially" accurate should be incorporated. There are certain

fundamental difficulties which arise in this regard as an Integrated Report may contain information on which it is difficult to independently report as to the material accuracy of the information but such reporting may in turn provide stakeholders with additional comfort as to the validity of the information being presented.

A second area to address would be the timeliness of reporting, including reference to normal financial reporting timescales and relevance of information to stakeholders.

8. 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?

The content elements detailed in the discussion paper are appropriate as they cover all of the significant aspects of any organisation's business operations.

As discussed in point five, we do have some reservations regarding the inclusion of prospective information in the Integrated Report if independent reporting is provided.

9. From your perspective as a key stakeholder:

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

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

RSM International member firms are Assurance Providers. Whilst this Discussion Paper does present the main benefits and challenges for Reporting Organisations, Investors, Policy Makers, Regulators and Standard-setters, it does not clearly present these for other key stakeholders, including Assurance Providers. Nonetheless we agree with the other perspectives described in the Discussion Paper.

10. (a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Are there other significant actions that should be added?

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

The actions listed in the Discussion Paper should be the next steps taken by the IIRC.

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In our view priority should be afforded to the Pilot Programme and the development of an internationally accepted framework. It is important in our view that this framework should not be rules-based but rather principles-based to avoid reverting to the current reporting environment, where reporting results in boilerplate disclosure rather than value-added reporting.

11. Do you have any additional comments that you would like the IIRC to consider?

None.

We would be pleased to discuss our comments further with members of the IIRC or its staff. If you wish to do so, please contact me at +44 20 7601 1080 or jean.stephens@rsmi.com.

Yours sincerely

A handwritten signature in black ink that reads "Jean M Stephens". The signature is written in a cursive, flowing style.

Jean M Stephens
Chief Executive Officer
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