

The International Integrated Reporting  
Committee (IIRC)

Stockholm, 14 December 2011

## Re: Towards Integrated Reporting – Communicating Value in the 21<sup>st</sup> Century

Representing preparers' point of view, the Swedish Enterprise Accounting Group (SEAG) welcomes the opportunity to comment on the report.

### **Summary**

We are in favor of an international approach to integrated reporting. However, we would like to highlight the importance of not focusing on a single report. Instead, focus should be on integrated reporting as a process. One report will not fit all interests. The communication could therefore be done in various forms depending on stakeholders and target groups. In order to be successful, integrated reporting should replace all existing requirements and initiatives within sustainability reporting and corporate governance. We do not want to have several different regulations in different countries as well as a global regulation for this type of reporting. Therefore it is essential that regulations are harmonized. We support the use of new technology, e.g. web-based with links to other published reports/information, instead of traditional thinking, i.e. to publish yet another paper report. In order to make the information comparable and trustworthy it is necessary to establish clear definitions not only for, as today, financial reporting but also for sustainability and corporate governance reporting. Consistent definitions should be applied for the same type of information, i.e. HR- or financial related information, throughout the different reporting perspectives.

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

We support a coordinated action within this area. To achieve success, we believe it is important to have a global framework. We also believe that this framework should replace all existing requirements and initiatives within sustainability and corporate governance reporting.

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

Yes, as we see it there is no other alternative. We are in a global world with global entities and in order to be able to compare between entities and make it possible for entities to comply with reporting requirements on different markets, there should be a global standard.

**Q2 Do you agree with the definition of integrated reporting? Why/why not?**

We support that the definition is based on how the organization demonstrates stewardship and that it is described from the perspective of the organization. The IASB has, on the contrary, taken a user perspective and a limited stewardship approach in its standard-setting process. Those perspectives have to be harmonized in order to achieve integration. We support that the IIRC focuses on stewardship.

However, we would like to highlight the importance of not focusing on a single integrated report as we consider a single report to be too extensive and not being able to fulfill the needs for different stakeholders. Please see below for further discussion.

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

We support the creation of an international framework for integrated reporting, but we are not in favor of a single integrated report. Today's published information is already extensive. Trying to merge the different reports into one integrated report would lead to a situation where it would be difficult to find relevant information and the possibility to highlight certain areas would be withdrawn. Different stakeholders have different interests and no one will be able to adapt to all information in a single report. The focus should therefore be on integrated reporting as a process and not on one single integrated report. In today's financial reporting the disclosure requirements are getting more and more extensive and that contradicts the idea of a single integrated report. Web-based integrated reporting could be the solution. Then the reporting could easily adapt to changes in the environment and links to others reports are facilitated. With a web-based portal with different areas for different stakeholders integrated reporting could adapt to the needs of all kinds of stakeholders and more frequent updates are also possible.

The discussion paper has not clarified if integrated reporting is an annual report or if it should be part of the interim reporting process. Even if it is likely that reporting starts from an annual perspective, an integrated reporting process should include regular communication with the stakeholders also in the interim reports, focusing on material information.

The idea that an integrated report should replace all other reports is a good vision. It is however very unlikely that all the regulatory requirements as well as the very extensive disclosure requirements in IFRS could be eliminated for many years to come. A single integrated report would thus in reality mean an additional report for the reporting entity. We would therefore like to underline the importance of focusing on an integrated reporting process instead of focusing on the idea of having one single report.

Additionally, separate reports make it possible to have audited financial statements, whereas we do not support external verification for other parts of the integrated reporting process.

Such requirements would create additional burdens on listed companies compared to non-listed companies.

According to the discussion paper, the IIRC initially intends to focus on the needs of the investors. We agree that it is important to involve them at an early stage in the process since they are important stakeholders. This should, however, not jeopardize the objective to replace sustainability and corporate governance reporting requirements. The limitation to investors of equity and debt financial capital might lead to a creation of additional reporting burdens for companies. It is therefore important to focus on the stewardship perspective as stated in the definition of integrated reporting.

It is stated in the discussion paper that integrated reporting can reduce the reporting burden on organizations while improving investors' and other stakeholders' insight and understanding. This conclusion needs to be supported by more evidence and e.g. concrete examples, since it is difficult to come to the same conclusion when reading the discussion paper. On the contrary, in the foreseeable future we see an increase in the reporting requirements due to the development of different legal requirements applicable within different jurisdictions.

**Q4 a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on their needs of their investors? Why/why not?**

Yes, we agree that focus should be on larger entities during the development phase. Later, when the framework is ready to be implemented, it should be made available also for smaller entities.

**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?**

One concept to be used in all kinds of organizations would be preferable, but it is still to be proven if this can be achieved. Different organizations and entities will potentially have different possibilities to prepare integrated reporting.

**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, we agree that the business model in combination with the ability to create and sustain value is appropriate themes for reporting. The discussion paper states that the information about the usage of capital is critical to effective allocation of scarce resources. Investors and other stakeholders of course have an interest in knowing if the company is dependent on any scarce resources. However, we wonder who will use this information for allocating scarce resources. The allocation would rather be based on the market price for the scarce resource

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

Multiple capitals are a well-structured base for explaining how organizations creates and sustains values. However, as integrated reporting is aiming to be a global initiative, it is essential to focus on consistency and comparability when companies are reporting company-specific parameters. It will be necessary to define how to report the different capitals but this will probably lead to an extensive amount of work before a global agreement can be reached. Compare e.g. how many years it has taken for the IASB to agree upon a new leasing standard!

**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?**

Yes, the guiding principles are a sound foundation. However, we are questioning the statement that reliability is enhanced by independent external assurance. We do not support extended requirements for audited reports, specifically not in a development phase where definitions and practices are not stable. Further on, information relating to the future could be complicated to include due to different legal aspects. We believe that this type of information should be governed by what is required in the financial reports but we also want to make it clear that entities should not be required to make forecasts in any kind of report.

A general reflection is that the reporting could become static if it should be short and focus on strategic issues. These issues would by nature be much the same year after year.

**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?**

Please refer to our comments for Q7.

**Q9 From your perspective as a reporting organization**

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

The benefits arise mainly from a focus on an integrated reporting process and should be seen long-term.

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

Yes, there are a number of significant and important challenges which are likely to offset the benefits for quite many years.

**Q10 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?**

We agree with the actions listed. However, we would like to make sure there is a long-term commitment and working plan. These changes will take more than 10 years and it is important to have realistic time tables, regarding for instance definitions projects.

**c) What priority should be added to each action? Why?**

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

In the investor section of the discussion paper a drill-down opportunity for improved analysis is presented. This indicates more detailed, underlying information. Our view of integrated reporting is that it could easily be web-based but we are questioning on what level of detail the information should be provided. However, if this is a web-based report a portal could be created with links to other reports and detailed information could then be provided. Our understanding is that integrated reporting should not be on a too detailed level. At the same time we are questioning the variability of the report if it should mainly be based on strategy and long-term effect. Will there be any changes to the reporting over time if strategy and long-term effects are continuously discussed?

Definitions within integrated reporting should to the greatest possible extent be the same as within financial reporting, e.g. human resources related numbers. In order to avoid any misunderstandings it is important that the same definitions are used all over the reporting community, otherwise reported numbers will differ for almost identical areas.

We are pleased to be at your service in case further clarification to our comments will be needed.

Yours sincerely,

CONFEDERATION OF SWEDISH ENTERPRISE

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*The Swedish Enterprise Accounting Group (SEAG) represents around 40 international industrial and commercial groups, most of them listed. The largest SEAG companies are active through sales or production in more than 100 countries.*

*Total net turnover of SEAG companies: 280 billion EUR*

*Total assets of SEAG companies: 350 billion EUR*

*Total number of employees in SEAG companies: 970 000*