The IIRC welcomes comments on all aspects of the Discussion Paper from all stakeholders, whether to express agreement or to recommend changes. Your answers to the Consultation Questions, and any other comments you would like to make, should be submitted on this form (submitted electronically at end of document) or sent via email to dpresponses@theiirc.org.

For the purpose of analysis, you are asked to identify the organization to which you belong and where it is located. All comments received will be considered a matter of public record and will be posted on www.theiirc.org.

Comments should be submitted by Wednesday 14th December 2011.

Name	Susan Cote-Freeman
Title	Programme Manager, Private Sector Programme
Organization	Transparency International
Country	Germany
Email	scotefreeman@transparency.org

Type of Stakeholder (please tick one as appropriate)

- ○ Academic
- ○ Analyst
- ○ Assurance Provider
- ○ Business
- ○ Consultant
- ○ Government
- ○ Inter-Governmental Agency
- ○ Investor
- ○ Labour Representative
- ○ Non-Governmental Organization
- ○ Professional Body
- ○ Rating Agency
- ○ Standard Setter
- ○ Student
- ○ Think Tank
- ○ Trade or Industry Association
- ○ Other, please specify below

Key Points

If you wish to express any key points, or to emphasise particular aspects of your submission, or add comments in the nature of a covering letter, then the following space can be used for this purpose.

To whom it may concern,

I am pleased to submit, on behalf of Transparency International, our comments on the IIRC Discussion paper. We thank you for the opportunity to provide comment and will be happy to answer any questions you may have regarding our responses.

Yours sincerely,

Susan Cote-Freeman

The World has Changed – Reporting Must Too (page 5 of the Discussion Paper)

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

Yes. Transparency International believes that financial value is only one facet of value creation and we agree with the IIRC's analysis that other non-financial aspects such as the organisation's overall approach to risk, matters of governance, including anti-corruption and other sustainability issues need to be presented to insure greater accountability and transparency. As a stakeholder we look forward to more reporting that is meaningful, consistent and provides a basis for comparison.

Q1. (b) Do you agree that this action should be international in scope? Why/why not?

We do agree. As the market place becomes global, so too must standards that govern key aspects of the behaviour of organisations and criteria that will ensure greater transparency. We query, however, how you will determine which issues are"most material" in efforts to 'de-clutter' reporting. Materiality for an investor perspective will be very different from materiality from a stakeholder perspective, especially that from a small country where corruption may be endemic for instance.

Towards Integrated Reporting (page 6 of the Discussion Paper)

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

We broadly agree with the definition of Integrated Reporting provided in the Discussion Paper.

An International Integrated Reporting Framework (page 8 of the Discussion Paper)

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. We have found in the course of our work assessing company transparency in the oil and an gas sector an in top global companies that financial and non-financial information that we consider key to corporate transparency is either not publicly unavailable or difficult to locate because it is dispersed in various company documents and web sites. In fact, some information could be found with the direct assistance of companies. We would, therefore, welcome a wider-ranging and more consistent reporting format such as the one proposed in the Discussion Paper. But we believe that to be truly successful the Integrated Reporting Framework must be able to

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?

TI does not entirely disagree with this approach although we wonder if at a time of increased stakeholder distrust of corporations and the perceived failure of the current economic model, whether focusing on the needs of investors will lead to the changes you are advocating. Although there is some recognition that transparency, integrity and ethical behaviour are good or the bottom line, this is not widely acknowledged in the mainstream investor community. Therefore, one concern we have about the initial focus on investors is that mainstream investors may not provide the impetus for more detailed financial and governance indicators such as those Transparency International, as a leading anti-corruption stakeholder, believe are

Q4. (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?

In principle these concepts should be applicable to all categories of reporters but we suggest that they should be tested by SMEs and other non-corporates early on in the process. Our own experience with tools and frameworks has shown that one size does not necessarily fit all and the Framework may require some tailoring for organisations that are not large corporates.

Business Model and Value Creation (page 11 of the Discussion Paper)

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 this should be a central theme. In the context of growing economic, environmental and social challenges, reporting on financial aspects only is no longer sufficient. In addition, emerging reporting practices in the non-financial areas also need to be expanded and rationalised. We believe that more emphasis should be put on how value is created as opposed to how much value is created. In addition, there is agreement that short-termism was one of the factors that led to the financial collapse of 2008 and we therefore believe that the emphasis should be on the ability to create and sustain value in the medium and long-term.

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

Yes, the concepts are helpful but they are very broad and may require more definition. In addition, we wonder whether they will resonate with SMEs and other smaller organisations.

Guiding Principles (page 12 of the Discussion Paper)

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?

The Guiding Principles do provide a good foundation for future Integrated Reports. We welcome in particular the emphasis on risk in the Guiding Principle on connectivity. We are also very supportive of the Guiding Principle on Responsiveness and Stakeholder Inclusiveness which we consider to be central to more transparent and accountable reporting. We assume that the proposed Principles for Integrated Reporting are intended to help the organisation in selecting the various issues that will be included in the report.
One of the Guiding Principles of the Framework is conciseness and we therefore assume that the integrated report, which is also intended to be the organisation's main report, should be

Content Elements (page 15 of the Discussion Paper)

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 agree that the Content Elements in the Framework provide a reasonable basis for the preparation of an integrated report. We welcome the priority that is given to attitude to risk in the Organizational overview and business model content element as this is critical to creating and maintaining value but it is also a fundamental element in the prevention of bribery and corruption.
We suggest you consider adding the following additional elements:
1. Exact organisational structure (who owns whom, who operates where, who borrows money, etc.) – This information is very important for investors and for other stakeholders.

What Will Integrated Reporting Mean for Me? (Reporting organizations – page 21, Investors – page 22, Policymakers, regulators and standard-setters – page 23, Other perspectives – page 24 of the Discussion Paper)

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

From a civil society perspective, we agree with the main benefits stated in the Discussion Paper. However, we share the concern you express that the integration of environmental and social issues with financial issues could result in a reduction in focus on some issues of concern to particular civil society interest groups. We encourage IIRC to engage now with key civil society interest groups on the utilisation of the best existing guidelines, codes, etc. in further developing the Framework. TI has developed leading codes and tools in the anti-corruption area and we would be pleased to advise the developers of the Framework on this topic.

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

Yes we agree. However, one aspect you have not emphasised is a follows: You mention elsewhere in the discussion paper that integrated reporting may lead to the development of assurance in new areas. We support this view and we think it will lend credibility to integrated reporting. Without it investors may revert to financial reporting only and disregard the non-financial aspects.
However, it has been our experience in recent work to develop a Framework for the Voluntary Independent Assurance of Corporate Anti-Bribery Programmes, that assurance in this area presents challenges such as establishing a materiality threshold. A concern is also the

Q9. (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?

We hope this will be the case, but at the very least, Integrated Reporting should help stakeholders understand the organisation and its business. We reiterate our concern that the investor perspective may be more limited than ours as a civil society organisation and this concerns us.

Future Direction (page 25 of the Discussion Paper)

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?

It seems a reasonable path but we believe that an assurance procedure based on generally accepted criteria should be developed to raise the credibility of the Integrated Report

Q10. (b) What priority should be afforded to each action? Why?

We suggest you extend you pilot to smaller businesses and non-corporate organisations.

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

Our comments to the previous questions convey our main thoughts and concerns but to summarise:

• Integrated reporting should lead to more disclosure, not less.
• Integrated Reports are intended to be concise but they should include a standardised set of links to other supporting documents, such as: code of conduct, financial statements, full list of subsidiaries etc.
• The initial focus on investors is of concern because the concerns of investors may be more limited or even contradictory to those of stakeholders such as ourselves.
• Consider an independent assurance process for Integrated Reports to enhance their credibility with all stakeholders.
Consider inviting as members of the IIRC NGOs that have specialist knowledge on financial reporting.

Additional questions: These are NOT compulsory but will help with analysis if completed

I have provided feedback that reflects:

- [ ] Personal interest
- [x] Interest of an organization, please provide the name of the organization:

  Transparency International

Which best describes your involvement with sustainability reporting?
Please tick all that apply.

- [ ] Reporter (prepare a report for my own organization)
- [ ] Consultant (report preparer on behalf of a third party)
- [ ] Assurance provider
- [x] Report reader (read reports for the purpose of evaluating or analyzing organizations)
- [x] Other, please specify:

  As an organisation involved in promoting transparency we have a s

Please indicate how many years of experience you have with sustainability reporting:

- ( ) No experience
- ( ) Less than 1 year
- ( ) 1-5 years
- (•) More than 5 years

Submit to the IIRC