



## ICAS RESPONSE TO THE IIRC DISCUSSION PAPER: TOWARDS INTEGRATED REPORTING

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## INTRODUCTION

The Corporate Reporting Task Force of the Institute of Chartered Accountants of Scotland (ICAS) has considered the above discussion paper and I am pleased to forward its comments to the International Integrated Reporting Committee.

The Institute is the first incorporated professional accountancy body in the world. The Institute's Charter requires it to act primarily in the public interest, and our responses to consultations are therefore intended to place the general public interest first. Our Charter also requires us to represent our members' views and protect their interests, but in the rare cases where these are at odds with the public interest, it is the public interest which must be paramount.

Our comments are set out below.

Any enquiries should be addressed to Amy Hutchinson, Assistant Director, Technical Policy, and Secretary to the Corporate Reporting Task Force.

## KEY COMMENTS

We support the objectives of integrated reporting and find this discussion paper a useful contribution to the debate. ICAS has long campaigned for clearer, more coherent and less complex corporate reporting and believes that reporting must evolve in order to remain relevant and useful to the public interest. Integrated reporting should result in companies presenting more balanced information as a wider range of factors is taken into account than in traditional reporting, and therefore will provide a more complete view of their activities and impact.

We think that by now the basic aim of 'integrated reporting' is generally understood and supported but it is still unclear to us how it will work in practice. This discussion paper does not necessarily add any new concepts to the debate, but we believe its real value lies in its widespread support from international companies and other organisations, and in the result of the planned pilot programme. In order for integrated reporting to move forward and become more widely understood, it is necessary for the IIRC to be able to demonstrate how it will work in real-life examples. Without this, we do not see the concepts explained in the discussion paper as particularly innovative. We therefore strongly support the development of the pilot programme and await with interest the results of this.

We have not answered the questions set out in the discussion paper, but have the following comments and observations:

- There probably needs to be more work to tighten up the definition of integrated reporting to avoid expectation gaps about what it can deliver. This may emerge during the pilot programme.
- Clarity is required as to who are the intended users of integrated reporting, as this will determine what information is required and in what format. Another aspect that needs to be addressed is the positioning of integrated reports i.e. will this complement or replace other reports such as financial statements?
- One of the key elements of integrated reporting as set out in this discussion paper is the business model. We believe that the discussion of the business model has an important role to play in moving corporate reporting forwards as it helps to connect different strands of reporting and enables management to communicate how they run their business. However, it is not clear from the discussion paper exactly how the business model will be reported, therefore this is an area that requires further consideration.
- The framework for integrated reporting must be principles-based and have a robust definition of materiality to avoid the information provided becoming generic, voluminous or 'boiler-plate.' A principles-based framework will be capable of application to a wide range of entities and contains the flexibility to allow entities to provide the most relevant information. Materiality is crucial in avoiding the provision of excessive detail.
- We agree it is appropriate that the framework is drafted from the perspective of large companies initially, since they are more likely to adopt integrated reporting at an early stage, but the framework should also be applicable to SMEs. We also agree that an international framework is the correct approach.