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.

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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

Italian Association of Audit Firms

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.

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?

The value creation process is going to acquire a relevant role in the overall business strategy. The ability of a company to define appropriately this process and to communicate it to all stakeholders is crucial for the long term value creation. In this context a well implemented reporting system plays a strategic role as it brings together financial and non financial informations. During the last years the evolution of reporting has reflected the need of stakeholders groups to receive information that conventional financial reports were not delivering. Management itself often does not understand the strategic connection between ESG and value creation and therefore does not identify the significant performance areas or

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

In a widening global marketplace and with growing interdependencies between economies, a coordinated international action is needed. Benchmarking businesses, even within different reporting periods, is the key challenge for setting up a new framework for integrated reporting. In order to establish a common international approach for this initiative, a structured and detailed action plan should be defined together with the identification of specific goals and the related responsibilities. Also, a governance mechanism should be appointed for the implementation of these activities.

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?

Yes we agree with the definition. We really appreciate the focus on the materiality of information at the foundation of Integrated Reporting (IR). We believe that "integrated thinking" is quite a crucial point for companies to implement a new reporting model. In a broader way IR is a cultural challenge within reporting organizations; this aspect should be introduced in the definition of IR. A clear definition of the differences between the concepts of 'Integrated Reporting' (as the process of integration - internal dimension),'integrated thinking' (as the cultural change in the organization), and 'Integrated Report' (output of the IR process - external dimension).

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?

The development of an International Integrated Reporting Framework (IRF) is a crucial step for advancing the business reporting process. The IRF will provide a set of principles for identifying matters which should be communicated through an IR but it will not explain how individual items should be measured. This will remain the domain of existing standard-setting bodies. In the long term, it might be seen as inefficient to have different standard-setting bodies for different components of a single report. One possible future scenario is that a single body will take the full responsibility for defining the principles for setting the content of an IR, as well as the appropriate measurement standards. In developing the International IRF the

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?

We agree that the initial focus of IR should be on the reporting of larger companies and on the needs of their investors. The reporting process of larger companies should fit better with the challenges of the IR process. An IR will be relevant to anybody interested in the strategy and performance of the relevant company. Investors should be seen as one of the intended primary audience, but the needs of other key stakeholders should also be considered.

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?

Even if with different approaches and focus, the concept underlying IR is applicable to SMEs, the public sector and no-profit organizations. A customized version should be introduced for SMEs, and it would be useful to add some case studies. A consultation with SMEs, the public sector and no-profit organizations is desirable during the Framework development process.

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?

Many are the potential benefits for businesses for advancing reporting. If the capital markets can fully understand a company's strategy, including how non-financial performance and ESG elements 'fit' with the financial aspects, they will have a better insight of how these matters affect the business performance and value. Integrated Reporting can have a greater influence over the capital markets' determination of management quality and performance. Organizations would need to explain their business model, and how they create value over the short, medium and long term. To support the organizations in the external communication of their business models, key studies and examples should be provided.

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

Within organizations, the value creation process is generally related to the ability to use and manage all the different capital resources. IR should be able to report on the relevant elements and the main activities within a business model in order to manage resources and relationships efficiently. IR offers the opportunity to focus on strategy and value creation, to demonstrate how the business uses capitals and the extent to which they should be used efficiently.

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?

Yes we agree. Connectivity between financial and non financial information should be emphasized. The framework should support organizations in finding the existing links between financial performance / management and the non financial impacts. Case studies and examples could be useful also for providing evidence to the connectivity of information.
The key aspects in the IR process that should be better reflected in the Framework, are the comparability and reliability of information. In this field a refinement of the assurance procedures and guidelines is desirable.

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?

Yes we agree. The content provided a foundation to prepare an Integrated Report. However, the Framework should provide guidelines to help companies identify the connections between each element. The ability of a reporting organization to understand and report externally the interconnections between decisions, strategic plans and financial and non financial performance is a critical point. In particular, with reference to the "performance" element, it would be useful to identify specific reporting guidelines. It is not easy for reporting organization to identify and manage the possible interconnections between different types of performance. With reference to the "Future outlook" a clearer definition of "future outlook" should be provided

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?

Yes we agree. The independency of audits of financial and non financial information is a key element in order to ensure that stakeholders are provided with relevant data. Due to the different nature of financial and non financial information it is important to define new techniques, standards and reporting mechanisms for integrated reporting.

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

To date, the audit is mandatory by law for the annual report (financial statements) only, while it is performed on a voluntary basis for non-financial information. Accordingly, in order to avoid loss of credibility and to maintain its intrinsic quality of information and communication, the non-financial information included in the IR should be (over the medium and long term) subject to mandatory assurance procedures as well. As reported on page 24 of the discussion paper, new techniques, standards and reporting assurance methodologies should also be developed.

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?

The concept of IR is clearly intended to meet the information needs of investors. To improve the usefulness of ESG information within capital markets, the link between ESG performance and financial performance needs to be better understood. IR should explain the integration between ESG matters and the business strategy and it should describe how the strategy is performed in terms of ESG KPIs and perspectives.

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?

The Pilot Program should provide relevant feedback to be used in developing the International Framework for IR. It is quite important to consider the challenges faced by the participating companies in order to enhance and consolidate the existing reporting practices. In addition to the Pilot Program also Best Practices should be considered to find out what other relevant elements need to be included in the Framework. A structured approach with predefined steps and objectives would be helpful; a governance mechanism should be introduced to coordinate the future steps.

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

In the Pilot Program the priority should be finding the different challenges faced by the reporting organization and identifying the best way to implement an IR process. An analysis should be carried out among organizations of different sectors and dimensions to observe specific issues and element to be considered.
For the Framework development it is important to continue with consultations across countries throughout regional roundtables and other engagement and communication activities also with Government and Regulatory Bodies.

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

The Framework should bring together financial, social, environmental, corporate governance and intangible issues. This process should take into account all the most relevant existing standards trying an integration in the medium-long term (e.g. International Accounting Standard (IAS) / International Financial Reporting Standards (IFRS) on financial reporting).
The renewed EU Strategy 2011-14 for Corporate Social Responsibility should also be taken into account as it explains how an integrated approach to CSR, hence to reporting, unveils business opportunities at all levels: risk management, cost savings, access to capital, customer relationships, human resource management and innovation capacity.
The Discussion Paper launched last January in South Africa "Framework for Integrated Reporting and the Integrated Report" is an interesting example as well. GRI Guidelines should also be considered to define the general contents and principles.
The successful development of the Framework is directly connected to the ability of IIRC to address issues affecting the top management, which plays a key role in sponsoring the IR process, especially CEOs and CFOs as they can actively contribute to the promotion of IR within the organization. The IR process in fact, besides the operational integration with the general reporting system, requires as well a cultural integration with the organization's values and overall strategy.

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:

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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
- [ ] Report reader (read reports for the purpose of evaluating or analyzing organizations)
- [x] Other, please specify:

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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

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