

## Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website ([www.theiirc.org](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

Name:

Email:

Stakeholder group:

If replying on behalf of an Organization please complete the following:

Organization name:

Industry sector:

Geographical region:

### Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

## Chapter 1: Overview

### ***Principles-based requirements***

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

1. Principle based requirements – Whilst the “Materiality and Conciseness” principle clearly references the “the organisation’s ability to create value in the short, medium and long term” and there is reference in various places (e.g. 1.8) to considering the long term view; the principles do not articulate specifically the need to consider the variation in timeframes that is appropriate for different outcomes (e.g. financial vs natural). This is considered an important aspect of what <IR> can seek to address in balancing the shorter term horizon of investors and the longer term movements in natural, social and human capital.  
1. Paragraph 1.11 – we suggest that the phrase “unavailability of reliable data” be replaced with “unavailability of reliable information” to move away from the quantitative connotations of “data” and to be consistent with section 3E, including 3.31, which refers to “information”. The use of the broader term likely gives less room for reporters to use this as a reason for not reporting and is consistent with and linked to the narrative at 2.24.

### ***Interaction with other reports and communications***

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. *Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?*

Yes.

3. *If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?*

GRI  
OGP  
ICMM

**Other**

4. Please provide any other comments you have about Chapter 1.

**Chapter 2: Fundamental concepts**

**The capitals (Section 2B)**

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. Do you agree with this approach to the capitals? Why/why not?

Yes.

6. Please provide any other comments you have about Section 2B?

Figure 4 better represents the relationship between capitals than the depiction in Figures 2 and 3 – should, therefore Figure 4 come earlier in Section 2 or the input/outcome capitals be depicted differently in Figures 2 and 3?

In describing the capitals (2.17-18), we suggest that more emphasis should be placed on the need to consider capitals across the value/supply chain and the potential influence that companies can have in working in an integrated way with their customers, partners and suppliers.

**Business model (Section 2C)**

A business model is defined as an organization’s chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).

7. Do you agree with this definition? Why/why not?

Yes.

### **Business model (Section 2C) continued**

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs (paragraphs 2.35-2.36).

8. *Do you agree with this definition? Why/why not?*

Yes.

9. *Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (see Section 4E)?*

We suggest that the example in 2.36 relating to carbon emissions could be made clearer, i.e. emissions caused by products during their life/use.

### **Other**

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

Whilst it is agreed that the providers of financial capitals are the primary users of the report, is there a way of framing the Audience (1.6) and Value Creation (2.37-38) paragraphs so that there is less emphasis on financial capital being the sole measure of success for providers of finance? This would include articulating that in order to understand the financial capital performance / prospects of the business it is necessary to understand the roles of other capitals and to respond to the risks and opportunities created by a range of material stakeholders. It is acknowledged that this is addressed in other parts of the document, but would be helpful to address earlier on in these key early sections/definitions.

## **Chapter 3: Guiding Principles**

### **Materiality and conciseness (Section 3D)**

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

11. *Do you agree with this approach to materiality? If not, how would you change it?*

Overall, yes.

Suggest that the definition of "Materiality" (3.23 and 3.24) should include some reference to the basis of "the view of senior management"; for example, the basis of senior management's conclusions on materiality is evidenced through implementation of a process involving considered assessment and debate of robust and relevant information / analysis.

12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

**Reliability and completeness (Section 3E)**

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

13. How should the reliability of an integrated report be demonstrated?

Operation of internal audit process.  
Independent assurance by a reputable provider.  
Critical/expert review by external stakeholders.

14. Please provide any other comments you have about Section 3E.

**Other**

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.

Whilst it is agreed that an integrated report should not attempt to meet the needs of all stakeholders (reference 3.19), it is a good opportunity for reporters to make their reporting/communication strategy clear to all stakeholders and look to make this process more efficient. For example, by linking investors to key disclosures (e.g. CDP returns) rather than completing all questionnaires submitted by investors. Suggest that this more proactive and robust approach to reporting/communication could be advocated in this section.

## Chapter 4: Content Elements

16. Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).

Suggest that Section 4 (for example 4B) could usefully include some guidance to reporters on reporting on the actions being pursued and achievements made in moving towards an integrated management / operational approach and culture, including breaking down any silos within the organization (as set out in 1.15-1.17 on "Integrated Thinking").

With reference to Section 4F, suggest that the inclusion of commentary on the use of leading, as well as lagging, key performance indicators would be a useful addition to encourage reporters to think about and disclose how they can demonstrate active implementation of key risk controls.

## Chapter 5: Preparation and presentation

### ***Involvement of those charged with governance (Section 5D)***

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?

Yes, we believe this would likely assist in ensuring the reliability of disclosures.

18. Please provide any other comments you have about involvement of those charged with governance (Section 5D).

### **Credibility (Section 5E)**

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

*19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?*

Assurance over entire report is likely to be impractical and overly costly. Specific aspects should be subject to independent assurance, those aspects subject to assurance to be clearly identified.

*20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.*

### **Other**

*21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).*

Whilst we agree that annual reporting is appropriate, with reference to Section 5A on "Frequency of Reporting", we suggest that this narrative includes some prompt to reporters to consider the appropriate frequency of reporting on certain matters that may be more appropriately reported over a longer frequency, such as certain aspects of natural and social capitals, given the underlying nature of the risk/issue and cost/benefit of capturing relevant information/data for reporting. See first comment made in Item 1. above.

## Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

We believe the current Framework overall is appropriate to permit companies to begin to report in line with principles and requirements established, and can obviously be adapted over time as experience is gained and report user feedback is incorporated into future iterations.

## Development of <IR>

23. *If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?*

Materiality considerations.  
Challenges in generating accurate data for non-financial reporting metrics.  
Assurance engagements, assurance limitations etc.

## Other

24. *Please provide any other comments not already addressed by your responses to Questions 1-23.*

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)