

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).

Comments should be submitted by Monday 15th, July 2013.

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Stakeholder group:	<input type="text" value="Other report users"/>

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

Organization name:	<input type="text" value="CSR Consulting, SRL"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="Central and South America"/>

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.

As a process that results from value creation over time, an integrated report should consider the financial and the non-financial information of an organization within the context of where this organization operates and its impacts on its different capitals. The Framework for the IR provides an excellent opportunity to focus on an holistic concept to develop a business model that can lead to the integration of business or commercial strategies with environmental and social strategies. The concept of integration enhances the benefits of the report and should, therefore, be extended to the integration and coordination of commercial and sustainability-related issues. The way forward should focus on evaluating change based on the six capitals, instead of focusing mainly on assessing financial capital.

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.*

Transparency. Since the requirements are principle-based and do not focus on rules for measurement or specific KPIs, and Senior management will be exercising judgement to determine which matters are material, it would be advisable to include Transparency as a principle-based requirement. Particularly, in view that many governments are now issuing Transparency Laws.

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?*

In general, financial statements, annual reports and sustainability reports are based on specific KPIs, but "the Framework does not prescribe specific indicators or measurement methods to be used in an integrated report". How will the IIRC ensure continuity when selecting the appropriate complement material developed by establishing reporting standard setters and on what basis will it select indicators and measurement methods developed by others?

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 - Global Reporting Initiative
GISR - Global Initiative for Sustainability Ratings
SASB - Sustainability Accounting Standards Board
CDP - Carbon Disclosure Project
DJSI - Dow Jones Sustainability Index
OECD - Organisation for Economic Cooperation and Development
ISO26000
Among others

Other

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

The concept of integrated thinking under 1.16 conflicts with the affirmation under 1.13 that senior management and those charged with governance... determine which matters are material. Integrated decision-making cannot be considered as such if the operating and functional units have no say in determining which matters are material.

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?*

I agree with this approach, but I would suggest adding Research & Development Capital, defined as all innovation resources and processes that facilitate the organization's ability to adapt, change and reinvent itself when necessary to ensure its continuity.

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

If (2.18) not all capitals are equally relevant or applicable to all organizations, how will the IR be able to benchmark - to measure according to specified standards in order to compare it with and improve one's own product (and/or IR) - (2.21) to ensure the organization does not overlook a capital that it uses or affects?

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?*

I agree, but I believe that there's an important element missing: identifying key partners and/or stakeholders that help create value.

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?*

I agree but I would include the word 'impact' in the definition. That is, "(positive and negative impacts)".

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)?*

Under 2.29, how will the organization be able to identify which capitals have a material bearing on its ability to create value, if not all capitals that an organization uses or affects are owned by the organization, and not all capitals are equally relevant or applicable to all organizations?

Other

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

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?*

Materiality can no longer be limited to topics that have a significant financial impact, it should consider economic, environmental and social impacts, since these material topics will have a significant financial impact on an organization in the near-term and/or long-term.

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?

3.32 Information cannot be sufficiently reliable based exclusively on the judgement of senior management and those charged with governance. It must consider the operating and functional units feedback, as well as that of other key stakeholders.

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

3.51 How will the "suitable level of comparability" be determined? Internally or by a third-party?

Other

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

3.11 third bullet: Who determines what KPIs will be used and how? Once they have been determined, will the organization be required to use the same KPIs in future reports in order to ensure consistency and comparability?

Quantitative information should prevail, enhanced by qualitative information only when quantitative is not available. IR should focus predominantly on the organization's ability to streamline its unique value creation story, instead of focusing just on the present.

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).*

4.6 An Integrated Report should also answer to the question: What are the organization's impacts on society? An organization "should have in place a process to integrate social, environmental, ethical human rights and consumer concerns into their business operations and core strategy in close collaboration with its stakeholders".

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 there should, because 5.17 those charged with governance have ultimate responsibility for how the organization creates value over time.

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

Reputation is an intangible asset that has not been included in the IR, and it has proven to have a strong incidence on value creation. An organization's senior management and/or governance body can have a strong influence on its reputation.

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 should cover the integrated report as a whole in order to assess a report's adherence, but consistency, comparability and benchmarking will be undermined if there are no protocols for performing assurance engagements.

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.

At present, some reporting standards lack credibility because they do not provide suitable criteria for an assurance engagement, and yet they apply ratings criteria based simply on 'good faith'. This situation must improve if audiences are to take integrated reporting seriously.

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).

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?*

Although it is stated (1.9) that the Framework is intended primarily for application by private sector, for profit companies of any size its content will definitely require certain adjustments if it is to be used by SMEs (small and medium-sized enterprises). Especially for those eligible for support under business-support programmes. For example, research funding, competitiveness and innovation funding.

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?*

1. Materiality, because it is a term that is often misinterpreted and its definition tends to change depending on the context.
2. Business Model, because there are many different approaches for this model and IR requires a very specific focus.
3. Consistency and comparability, because if a report is not consistent and comparable, it will most probably not be credible.

Other

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

IIRC should contemplate opening its Council membership to include a more diversified demographic background. In order to be able to assess its focus from a broader global perspective.

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013