

## Integrated Reporting – International Framework

22<sup>nd</sup> June 2013

Dear IIRC members,

I would like to start by congratulating the IIRC and its coalition of contributors for their excellent efforts in developing this consultation draft which is aimed at providing a foundation for the future. In my opinion the preparation of this consultation draft is a very worthwhile initiative in the development of a benchmark for Integrated Reporting <IR> which is currently very much in a formative stage.

As stated in the document this coalition “*shares the view that corporate reporting needs to evolve to provide a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of the external environment, lead to the creation of value over the short, medium and long term*”. Clearly the recent financial crisis has highlighted various weaknesses in existing corporate frameworks, and highlighted the requirement for an improved approach in order to better safeguard the interests of the multiple stakeholders. Improved corporate reporting can have a very important role to play in helping to better safeguard these stakeholder interests and therefore clear guidance is critical in developing an improved system of corporate reporting.

I would like to state for the record that in my opinion this consultation draft represents a very welcome initiative in this space. I acknowledge that this was a very difficult and complicated undertaking and in my opinion the publication itself is a very thorough and concise document and represents a commendable body of work. My attached comments are therefore not intended to be a criticism in any way, but rather a constructive attempt to contribute to the further improvement of the publication prior to being finalized, and hopefully beyond.

My comments are therefore attached in the form of two appendices.

I would like to thank the IIRC for providing this opportunity to comment on the consultation draft. Should you require any additional information or wish to discuss any of the issues raised in more detail please do not hesitate to contact me.

Yours sincerely

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## APPENDIX I

### GENERAL OBSERVATIONS

#### A. Integrated Thinking Is Fundamental To The <IR> Process

Chapter 1 of the “*Draft International <IR> Framework*” refers to the concept of “*Integrated Thinking*” and notes that <IR> is guided by integrated thinking. In my opinion this matter represents the essence of the 21<sup>st</sup> century enterprise and is fundamental to how an organization conducts its business and one which deserves further explanation and guidance. The <IR> framework rightly addresses how integrated thinking can be contrasted with “*silo thinking*” by taking into account the connectivity and interdependencies between the range of factors that have a material effect on the organization’s ability to create value over time. Such an approach requires a holistic view of the organization and demands a comprehensive understanding of the breadth and depth of its activities in order to be in a position to form as complete a picture as possible.

Integrated thinking therefore needs to be wide-ranging in order to form a multi-level view which addresses issues both internal and external to the organization. This process must consider macro issues which may impact on the organization’s achievement of its objectives such as the global economy and international markets fluctuations. It should consider issues relating to the organization’s culture, the business sectors and geographic regions which it operates in. It should consider the parent company, its subsidiaries, branches and supply chain. Within the organization it should consider issues relating to the business units, divisions, departments and functions, in addition to portfolios, products, and transactions. This process should therefore begin with a high level strategic view of the organization in question by considering its vision, mission statement, and strategy. This should be followed by gradually drilling down into a tactical view of its planning, infrastructure and architecture. Finally it should end by considering an operational view of the organization and the execution of ongoing activities.

Integrated thinking involves understanding the organization’s own eco-system and considering the interactions, linkages, inter-connections, inter-dependencies and potential cascade of consequences which exist throughout this eco-system. It involves understanding the alignment of the organization’s interconnectivities both vertically (top-down, bottom-up) and horizontally (across, cross-functionally), at strategic, tactical, and operational levels. It involves an appreciation of the evolution of this eco-system, past and present, and projecting it into the future (short, medium and long term).

Such integrated thinking does indeed represent a complex challenge which organizations cannot afford to underestimate. Ongoing developments in emerging fields such as “*Complexity Science*”, “*Network Science*”, and “*Systems Thinking*” can provide organizations with useful guidance, skills, and tools so as to help better appreciate and understand universal principles, common properties, and the complex workings of interconnected environments, and the potential hazards resulting from risks, threats, and vulnerabilities, which are inherently present as a result of such complex relationships.

In reality many organizations are unlikely to have a clear appreciation and understanding of the complex workings of their own eco-system and are also unlikely to have a clear understanding of how they should go about forming such an all encompassing view. From a practical perspective this may well be an ongoing evolutionary exercise which as it develops will in turn need to direct and guide the <IR> process.

I would suggest that the IIRC consider expanding the section on Integrated Thinking in order to more fully emphasize and explain the complexities of this concept, its importance, and its ongoing influence on directing and guiding the <IR> process.

## **<IR> Requires Both Integrated Thinking And Integrated Intelligence**

Integrated thinking in turn requires integrated intelligence and vice versa. This symbiotic relationship represents a classic conundrum as the two go hand in hand, and the existence of one would be extremely difficult to have one without the existence of the other. Therefore it is important to appreciate that the quality of an organization's integrated thinking is heavily influenced by the quality of the organization's integrated intelligence.

Integrated Intelligence in this context represents the capacity of an organization to create and access knowledge, and its ability to use this knowledge to adapt to its environment at strategic, tactical, and operational levels. It is therefore concerned with providing decision makers with the best available intelligence in order to help them to arrive at the best possible decision for the organization as a whole, bearing in mind the interactions, linkages, inter-connections, inter-dependencies and potential cascade of consequences which exist throughout the organization's eco-system. Therefore from an organization's perspective the intelligence imperative needs to be managed in an appropriate manner:

*“Management of the intelligence component is required in order to help ensure that the organization gets the right information, in the right format, to the right person, in the right place, at the right time. It relates to mechanisms, processes and systems in operation as an organization identifies, gathers, interprets, and communicates the information and knowledge available within (and outside) the organization in order to be in the best possible position to make the timely and informed decisions which are necessary for the achievement of its objectives. It refers to both the larger organization's capacity to create and use intelligence and the aggregate intelligence capacity of its stakeholders. The intelligence component is therefore a critical element in the management of all the other critical components.”<sup>1</sup>*

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<sup>1</sup> Reference to my paper entitled “Optimized Corporate Defense Programs: A 5 Step Roadmap” [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=1557743](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=1557743)

This complex process can involve large numbers of individuals interacting with large numbers of diverse information processes and technologies. Integrated intelligence is however more than the aggregate intelligence of individuals within the organization but is instead the level of the collective intelligence of the organization itself as a larger entity. It involves managing relevant intelligence at strategic, tactical, and operational levels therefore it encompasses matters such as:

- Market Intelligence
- Competitive Intelligence
- Operational Intelligence
- Knowledge Management
- Communications
- Education and Training

For integrated intelligence to be in a position to optimize its contribution there should be an appropriate program in place so that there is a recognition and appreciation of the purpose and requirement for integrated intelligence, and how it can help to add value to an organization. Such a program should include the development of an appropriate intelligence culture in order to help align intelligence practices throughout the organization. This will require appropriate training and education so that intelligence practices becomes integrated into all parts of the business process and become embedded into day to day operations on an enterprise-wide basis.

An intelligent organization requires practices that help to encourage a collaborative approach to the collective communication and sharing of intelligence not only to address deficiencies and weakness but to identify opportunities to optimize performance through synergies and efficiencies. This requires the effective buy-in, engagement, co-operation and participation of all relevant stakeholders. An appropriate level of input from stakeholders involves the sharing and exchange of ideas, the trading of knowledge, the expression of opinions, and the deliverance of feedback throughout the organization. Appropriate co-ordination of intelligence involves the interaction, assimilation and integration of intelligence in a timely and coherent manner. Dissemination of accumulated intelligence involves the communication, dispersal or notification of intelligence in a timely, appropriate and efficient manner.

Ultimately integrated intelligence represents the life blood of a successful organization and therefore it cannot and should not be taken for granted.

I would suggest that the IIRC consider referring to an organization's requirement to first establish an integrated intelligence program as a prerequisite or precondition of the <IR> process and perhaps later provide a degree of direction and guidance on how this can be best achieved.

### C. <IR> As An Essential Element of Integrated Intelligence

The <IR> framework represents an essential element of the broader concept of “*Integrated Intelligence*” and represents a valuable mechanism for communicating this intelligence to relevant stakeholders. When considering the <IR> framework in practice due consideration needs to be given to the organization’s intelligence capacity and capability. This will require considering the organization’s intelligence strategy, its infrastructure, architecture, and technology, and its operational processes and practices surrounding intelligence.

The <IR> process should address the communication of knowledge and information within the organization and beyond. From an <IR> perspective the reporting of knowledge can be viewed from the context of knowledge awareness, what is known and what is unknown. An organization’s knowledge awareness can be categorized as follows:

- Unknown knowns: *We don’t know what we know*
- Known knowns: *We know what we know*
- Known unknowns: *We know what we don’t know*
- Unknown unknowns: *We don’t know what we don’t know*

From an <IR> perspective information can also be broken down into two elements, fixed information and variable information. While the fixed element by its very nature remains constant, the variable element is often incomplete arising from varying degrees of uncertainty, being the inability to precisely establish the prospect of potential events occurring and their subsequent effect. When dealing with incomplete information extreme care needs to be taken that what is being communicated represents neither more or less than is truly known. In applied mathematics “*Information Theory*” includes the concept of “*Entropy*” which looks at quantifying the uncertainty involved in predicting the value of a random variable which is particularly relevant to <IR> in relation to future projections. In practical terms when considering the communication of output associated with random variables it is worth considering the context in which the variables are known or unknown, controlled or uncontrolled, predictable or unpredictable, and measured or unmeasured. Particular attention should therefore be focused on the system of internal controls surrounding the <IR> process and the extent to which the controls in place provide a level of assurance in relation to the reliability of the output. Where there is an element of uncertainty relating to the output, a level of comfort or degree of confidence should be clearly expressed.

Reporting of unreliable information is a serious hindrance to the decision making process and one which was highlighted during the financial crisis.

I would suggest that the IIRC consider the requirement to insert a clear and more detailed health warning in relation to the organization’s capacity and capability to produce reliable information as part of the <IR> process and the importance of expressing the overall level reliance which can be placed on the output of the <IR> process itself.

#### **D. <IR> Requires A Balance Between Value Creation And Value Preservation**

The “*Draft International <IR> Framework*” refers to the term “*Value*” 154 times throughout the entire document. In the majority of instances terms such as “*create value*”, “*value creation*” and the “*creation of value*” are used in the context of:

- an organizations ability/capacity to create value over time
- the organization’s own/unique/comprehensive value creation story
- issues which influence/effect/support/maximize value creation, and
- the organization’s focus on value creation

Value creation clearly represents one of the core considerations of the <IR> framework and section 2D is entitled “*Value Creation*” and does go a long way to defining and explaining the concept of value creation, certainly as it relates to <IR>. On a number of rare occasions (sections 2.16, 2.35, 2.37, & 2.44) the document does refer to the value in terms of “diminution or destruction of value” and “increase or decrease in value”. My concern is that at no point in the document does it refer to the equally important concept of “*value preservation*”. This unfortunately reflects a deep rooted issue and represents a major concern.

An old sporting aphorism states that “*offense wins games, defense wins championships*”. In the business world in this context offense is equated with “*value creation*” while defense is equated with “*value preservation*”. The recent financial crisis clearly highlighted the imbalance that currently exists between the unequal focus on offense (value creation) and the focus on defense (value preservation). Recent events indicate that a short-term view tends to focus disproportionately on the former, often neglecting the latter. This mind-set has resulted in excessive risk taking in search of short-term rewards at the expense of longer-term sustainability.<sup>2</sup>

In order to help address this deep rooted imbalance integrated thinking (and reporting) must incorporate a balance between offense and defense in order to arrive at a natural equilibrium. This will require a subtle blending of these antagonistic yet complimentary principles, which are inherently intertwined and mutually interdependent within a dynamic system. In essence, the principles of offense and defense represent two sides of the same coin, and therefore cannot and should not be addressed in isolation.

Defense in its broadest sense represents an organization’s collective program (formal or otherwise) for self-defense. It represents the measures taken by an organization to defend itself and the interests of its stakeholders from a multitude of potential hazards (risks, threats, and vulnerabilities), the occurrence of which could be detrimental to the achievement of the organization’s objectives. Successful defense requires managing all of the following critical components of a defense program in an integrated manner.

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<sup>2</sup> See my HBR/McKinsey M-Prize submission entitled “Achieving a Healthy Balance Between Offense and Defense in 21<sup>st</sup> Century Capitalism” [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2157182](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2157182)

**Governance:** How the organization is directed and controlled, all the way from the boardroom to the shop floor.

**Risk:** How the organization identifies, measures, and manages the risks it is exposed to.

**Compliance:** How the organization ensures that its activities are in conformance with all relevant mandatory and voluntary requirements.

**Intelligence:** How the organization ensures that it gets the right information, in the right format, to the right person, in the right place, at the right time.

**Security:** How the organization ensures it protects its critical assets (tangible and intangible) from threats and danger. Examples of critical assets include people, information, technology, and facilities.

**Resilience:** How the organization ensures that it has the capacity to withstand, rebound, or recover from the direct and indirect consequence of a shock, disturbance, or disruption.

**Controls:** How the organization ensures that it has taken appropriate actions in order to address risk and to help ensure the achievement of its objectives.

**Assurance:** How the organization provides a degree of confidence or level of comfort to its stakeholders that it is operating in a satisfactory manner.

A holistic defense program is designed to help ensure that the organization's defense-related activities are in alignment with and actually reinforce corporate strategy to maximize their added value. In the process, it provides an appropriate system of checks and balances to help ensure that an organization's defense related activities are strategically aligned, tactically integrated, and operating in unison towards common objectives. The introduction of such a formal systematic defense program can help an organization arrive at balanced, informed decisions and help support the achievement of business objectives, while also providing both defense-in-depth and defense-in-breadth.<sup>3</sup>

The draft specifically addresses the governance issue in some detail and to a lesser extent the risk issue. It intermittently refers to the control and assurance issues, with fleeting reference to compliance and resilience issues. There is no reference to intelligence and security issues. A robust <IR> framework requires that each of these issues are appropriately addressed, while reporting on value solely from a value creation perspective in isolation, without due consideration to value preservation does not provide a balanced approach. In my opinion reporting on value should also include consideration of the "preservation of value" or "value preservation" aspects in a similar context to the manner in which "creation of value" or "value creation" are addressed.

I would suggest that the IIRC consider including the value preservation imperative in the same manner as the value creation imperative is addressed. I would also suggest that due consideration be given to documenting the importance of ensuring that all of the critical defense components are appropriately addressed within the <IR> framework.

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<sup>3</sup> See my paper entitled "Defending Our Stakeholders: Corporate Defense Management Explored" [http://papers.ssrn.com/sol3/papers.cfm?abstract\\_id=2202135](http://papers.ssrn.com/sol3/papers.cfm?abstract_id=2202135)

## APPENDIX II

### RESPONSE TO SPECIFIC QUESTIONS

#### Chapter 1: Overview

##### Principles-based requirements

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

I would suggest that the “Application of the Framework” section should specifically refer to the “*Comply or explain*” regulatory approach used in UK, Germany, the Netherlands and other countries in the field of corporate governance.

##### Interaction with other reports and communications

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

I would suggest that this section also refer to the importance of aligning and linking strategic, tactical, and operational reporting (e.g. Dashboards, Balanced Scorecards, and BI Portals etc). It should emphasize the differing level of detail required at each of these levels in order to help assess and evaluate the achievement of objectives set at strategic, tactical, and operational levels. It should also emphasize the importance of aligning objectives set at each of these levels.

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

I believe that the provision of such an online database would prove helpful particularly in relation to Leading and Lagging Indicators, Key Performance Indicators (KPI's), Key Risk Indicators (KRI's) etc. Organizations such as the National Institute of Standards Technology (NIST), The Data Warehousing Institute (TDWI) and ITIL etc may be suitable standard setters.



## Other

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

**Per General Observation “A”:** I would suggest that IIRC consider expanding the section on Integrated Thinking in order to more fully emphasize and explain the complexities of this concept, its importance, and its ongoing influence on directing and guiding the <IR> process.

**Per General Observation “B”:** I would suggest that the IIRC consider referring to an organization’s requirement to first establish an integrated intelligence program as a prerequisite or precondition of the <IR> process and perhaps later provide a degree of direction and guidance on how this can be best achieved.

**Per General Observation “C”:** I would suggest that the IIRC consider the requirement to insert a clear and more detailed health warning in relation to the organization’s capacity and capability to produce reliable information as part of the <IR> process and the importance of expressing the overall the level reliance which can be placed on the output of the <IR> process itself.

**Per General Observation “D”:** I would suggest that the IIRC consider including the value preservation imperative in the same manner as the value creation imperative is addressed. I would also suggest that due consideration be given to documenting the importance of ensuring that all of the critical defense components are appropriately addressed within the <IR> framework.

## Chapter 2: Fundamental concepts

### The capitals (Section 2B)

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

The six categories of capitals appear to be appropriate as stores of value.

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

1. I am generally in agreement with these categories however it should be borne in mind that certain organizations may for whatever reasons find it preferable to classify their capitals in an alternative manner which actually run across these categories (e.g. business lines or functions etc).

2. Reference is made to the fact that capitals can be increased, decreased (diminished or destroyed), or transformed however I would also like to see a reference to the obligation to safeguard the organization's capitals.

**Business model (Section 2C)**

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

In my opinion the definition of a business model should make reference to the fulfilment of the organization's vision and mission statement, the implementation of strategy, and the achievement of its overall strategic objectives. I would also suggest that it refer to the aim of preserving value over the short, medium, and long term.

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

Agree.

**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 (Section 4E)**

The robustness and resilience of the business model is heavily influenced by and dependent on the organization's value preservation efforts and measures. An organization has an obligation to take reasonable steps to preserve value.

## Other

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

In relation to section 2D I would suggest that the IIRC consider the inclusion of the value preservation imperative in this section or indeed add an additional section 2E to specifically address the issue of value preservation (prevention of value destruction) in the same manner as it describes value creation. The importance of developing a culture of value preservation, where everyone in the organization is to some extent responsible and accountable needs to be emphasized.

## **Chapter 3: Guiding Principles**

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

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

Agreed, however should also include reference to value preservation.

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

I believe it would be helpful if the <IR>framework provided additional guidance (in addition to 5B) in relation to generally accepted standards of materiality (e.g. as expressed in % terms etc) or perhaps such guidance could be included in the online database of authoritative sources.

## Reliability and completeness (Section 3E)

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

As the information provided in an integrated report will form the basis of decision making by stakeholders its reliability and completeness is a critical issue. The reliability of an integrated report will be subject to not only the specific controls in place to address the integrity (validity, accuracy and completeness) of information but the controls in place over the entire <IR> process. It will be influenced by the organization's own "internal control - integrated framework" and control culture particularly as it relates to the organization's broader intelligence initiative. It will also be impacted by the extent to which the organization is appropriately managing the critical components (governance, risk, compliance, intelligence, security, resilience, controls, and assurance) of its defense program. Stakeholders of an organization can take comfort in the reliability and completeness of the <IR> process by relying on the organization's various internal lines of defense to perform their oversight duties in an appropriate and competent manner (see response to Q18 below). Additional independent assurance can also be provided by reviews performed by external third parties. Those charged with governance must exercise judgement as to the extent to which some or all of the above is considered when demonstrating the reliability of the integrated report. Ultimately the extent to which the information provided in an integrated report can be considered to be reliable and complete needs to be clearly expressed within the report and clearly understood by relevant stakeholders.

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

Please refer to **General Observation "C"**

## Other

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

3B Connectivity of information: I would suggest that this section refer to the connectivity of information at strategic, tactical, and operational levels and the importance of aligning and linking this information. I would also suggest that it refer to the importance of both the vertical (top-down, bottom-up), and horizontal (across, cross-functional) inter-connectivity of information and its importance from an integration perspective.

3C Stakeholder Responsiveness: Section 3.20 and 3.21 refer to the notion of stewardship. I would suggest that this be expanded to address an organization’s duty of care to safeguard stakeholder interests and its associated value preservation obligation. The importance of emphasizing the requirement for maximum transparency in relation to associated responsibilities and accountabilities should also be considered.

3F Consistency and comparability: I would suggest referring to the importance of establishing a shared <IR> taxonomy throughout the organization in order to facilitate greater consistency and comparability.

## **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).**

I believe the Content Elements outlined in the document are appropriate however I would suggest that the IIRC give due consideration to including “*Intelligence*” as an additional Content Element. Please refer to **General Observation “B”** for further details.

4B Governance: This section in particular should address the value preservation imperative. 4.11 should refer to “Tone at the Top” in relation to establishing a culture of value preservation.

4C Opportunities and Risks: The value preservation imperative should refer to framework in place to identify, measure and manage risks.

4D Strategy and resource allocation: I would suggest that this section refer to the linkage between strategy setting, tactical planning, and operational execution. I would also suggest that it specifically refer to the allocation of resources between value creation and value preservation initiatives.

4E Business model: The robustness and resilience of the business model is determined by its value preservation strategy and associated programs. The business model should include the extent to which the organization is committed to investing in the value preservation strategy and this level of investment should be reported in both quantitative and qualitative terms. Quantitative reporting could include overall investment/expenditure in value preservation in terms of its capitals (financial, manufactured, intellectual, human, social and relationship, and natural) and expressed as a % of overall investment/expenditure etc.

**4G Future Outlook:** An organization’s defense cycle involves the iterative process of anticipation, prevention, detection, reaction, anticipation, prevention... and so on. Anticipation refers to the timely identification and assessment of existing threats and vulnerabilities, and the prediction of future threats and vulnerabilities. It includes issues such as education and learning from past experiences, the recognition of general matters which may have a potential future impact, the identification of specific issues which may influence these issues, and the evaluation of available measures to help address these issues in the future. An organization requires a level of due diligence in order to appropriately address these anticipation obligations. I would suggest that this concept of “*anticipation*” be specifically addressed within this section.

## **Chapter 5: Preparation and presentation**

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

- 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, I believe that there is a standard requirement for improved transparency in relation to the issue of responsibilities and accountabilities within organizations in general and this should also be a requirement in relation to the <IR> process specifically.

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

In order to gain a measure of comfort that critical activities are being appropriately addressed at strategic, tactical, and operational levels, stakeholders commonly rely on various lines of defense to be in place and to operate as oversight layers within the organizations themselves. These internal lines of defense are responsible for providing stakeholders with a degree of confidence that the organization is operating effectively and in an appropriate manner. These five lines of defense operate as follows:

- **The Board** is responsible for overseeing the activities of the organization and is accountable to the shareholders for the organization’s strategy and performance. This includes overseeing the activities of its standing committees and executive management.
- **Executive Management** provides assurance to the board that the objectives of the organization are being achieved by providing adequate oversight of those they manage and by ensuring that the organization’s activities are consistent with business strategy and policies approved by the board.

- **Independent Internal Assurance** provides the board with a level of independent assurance in relation to the effectiveness of the activities of the other lines of defense. Examples include the audit committee and internal audit
- **Tactical Oversight Functions** monitor, facilitate, and coordinate the consistent, competent, adequate, and effective operation of defense activities established by operational line management. Examples include the compliance, risk management and control functions.
- **Operational Line Management** has responsibility for overseeing the daily operations of staff, services, practices, mechanisms, processes, and systems.

The responsibilities of the above lines of defense in relation to the <IR> framework should be clearly documented and formally approved.

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

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

Assurance will need to be obtained during the initial process to establish the <IR> framework, and this will most likely include an independent review (internal audit or external 3<sup>rd</sup> party) in relation to aspects of the design, testing, validation, authorization, and audit phases etc. Ongoing assurance may also be required once the process is live. This should include a blending of both specific continuous (continuous monitoring, warnings, alerts, red flags etc) and more general periodic assurance (daily, weekly, monthly, quarterly, semi-annually, annually etc) over various aspects of the report. More comprehensive assurance may be required in relation to the production of the annual report.

**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.**

Assurance should focus on the reliability of the organization's internal control framework. Please refer to my response to Q13 for more details.

## 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).**

5I Use of Technology: The use of technology is particularly relevant to the <IR> process and will continue to evolve going forward. Advancing technology however also presents mutating challenges which need to be addressed in a balanced fashion. I would suggest that this section draw attention to the increasingly high profile issue of cyber defense, and the importance of ensuring that an organization has appropriate information security in place in relation to the <IR> framework and the use of technology in general.

## 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?**

While I recognize that <IR> is currently in a formative stage I am very much encouraged by this <IR> initiative as an important first step which has already attracted significant attention worldwide and has already had the positive impact of focusing attention on the requirement for integrated reporting. At this point in the process it is unrealistic to expect the content to perfect in every way but based on the input already received and ongoing contributions as part of this consultation process I believe the current <IR> framework is on the right track, subject to certain minor amendments.



### **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. Value Preservation
2. Integrated Thinking
3. Integrated Intelligence

### **Other**

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

While I am definitely an advocate of the requirement for more integrated reporting I believe that in order to facilitate this process it should be developed in tandem with the concepts of integrated thinking and integrated intelligence. The <IR> framework does however represent a good starting point and I am well aware of the need for patience and importance I taking it one step at a time.