

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="Ethical Markets Media"/>
Industry sector:	<input type="text" value="Financials"/>
Geographical region:	<input type="text" value="Global"/>

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.*

ADD overarching Life's Principles (see Ethical Markets and Biomimicry 3.8's Principles of Ethical Biomimicry Finance™ <http://www.ethicalmarkets.com/2013/05/16/ethical-markets-rolls-out-ethical-biomimicry-finance/>).

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?*

Agree

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?*

Include GRI, SASB and all proprietary SRI screens, including Ethical Markets' Ethical Biomimicry Finance™. <http://www.ethicalmarkets.com/2013/05/16/ethical-markets-rolls-out-ethical-biomimicry-finance/>

Other

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

Definitional terms: “material” and “materiality” betray obsolete materialist paradigm of earlier Industrial Era production of goods (objects, products you can drop on your foot). In today’s Information Age, most OECD countries are based on services and information (up to 70% of GDP) as you recognize at the company level in acknowledging that up to 80% of value is now “intangible.”

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?*

Agree with 6 capitals approach.

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

Again, substitute terms “material” and “materiality” with , e.g., “valuation component” or “source of value in accounts.”

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?*

Agree with “business model” definition.

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?*

Including use of "positive and negative outcomes" (rather than "externalities")

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)?*

Relate to national accounts: GDP which aggregate company data and do not distinguish between positive and negative "externalities" (see www.ethicalmarkets.com Beyond GDP). BOTH levels of accounting must be overhauled and have consistent approaches to value-creation (or destruction).

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?*

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

Re-define and update reporting beyond obsolete terms “material” and “materiality” (see my comment Ch. 2 #6). Recommend that academic courses in finance and conventional financial models take new account of shifts to services and information-based value-creation by companies and in national accounts: GDP.

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?

By third-party audits, websites and transparency in media releases.

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

Refer to current GDP “fetishism” (Stiglitz) and new national indices: OECD’s Better Life Index, Canadian Index of Wellbeing, UNU’s IRI, as well as UNDP’s HDI.

Other

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

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).*

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!

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

All relevant top decision-makers must fully disclose publicly their other affiliations, directorships, consultancies and "skin in the game."

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?

Both, because both specifics and the integrated report give a cleaner picture.

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 providers, auditors, ratings agencies, et. al., should be independent and never compensated by the company under examination.

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?*

<IR> is a very useful, credible tool for providing information in the short, medium and long-term, and will become even more useful as it evolves toward the fundamental goal of companies and all human activities operating within the limits of the Earth's planetary boundaries and mimicking the successful evolution of all other life forms over the past 3.8 billion years within "Life's Principles."

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?*

First: Linking IR to national accounts as GDP is replaced by integrated, multi-disciplinary systemic measures of human development and quality of life (see www.ethicalmarkets.com Beyond GDP).

Second: Shift finance from "economism" and failed models based on obsolete economics (e.g., efficient markets; rational actors, modern portfolio theory; general equilibrium; value-at-risk; capital asset pricing models, etc.) which are all deductive and normative to all the latest scientific research in behavioral and brain science, endocrinology, thermodynamics, ecology, complexity science, anthropology, sociology and systems approaches, including NASA's Earth Systems Science (see Henderson, Hazel "Mapping the Global Transition to the Solar Age: From "Economism" to Earth Systems Science", ICAEW, forthcoming Fall 2013).

Other

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

When we move from "economism" to Earth Systems Science, we will not be flying blind! We will have better, more realistic, usable and science-based indicators of value!

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