

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.

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.

We support the development of an Integrated Reporting Framework (the Framework) to facilitate improved communication and better assist investors in making informed decisions about future value creation and sustainability of an organisation. This is consistent with our approach which seeks to use our additional, non-statutory reporting to facilitate enhanced discussions with our investors and market analysts. Publications such as the ANZ Shareholder Review are produced to contextualise our results and explain our strategy and how we intend to drive performance. We see the formalisation of a Framework enhancing this process and creating greater comparability across entities.

However, the Integrated Reporting project has not precisely articulated the issues it is trying to solve, beyond its stated view that corporate reporting needs to evolve to provide a concise communication about how an organisation intends to create value into the future. To ensure clarity to preparers we ask that the objective of the Integrated Report and the problems being addressed is succinctly articulated.

We strongly believe that the future development of Integrated Reporting should continue

to be market-driven rather than compliance driven with the Framework serving as a useful reference tool for organisations to improve their corporate reporting. We believe that a compliance-driven solution will:

- encourage a prescriptive and inflexible approach to reporting which is likely to fail to achieve the objectives of the Integrated Reporting process; and
- introduce further overlap and duplication of information, creating confusion for investors and significant additional costs to organisations.

Therefore, we would not support the implementation of mandatory integrated reporting requirements unless these replace existing requirements and result in a simplified reporting regime. We recommend that the Framework clearly articulates that it is not intended to be implemented as a mandatory requirement, but rather to assist organisations in implementing an integrated reporting process and preparing an Integrated Report.

Finally, we are concerned about the reference to Integrated Reporting being applied “continuously” to all relevant reports. Under Australian legislation, an entity is expected to provide updated information to the Australian Stock Exchange that may have a material effect on the value of the entity’s share capital which is not yet publicly available (continuous disclosure obligations). Given the breadth of topics covered in an Integrated Report, we are concerned that the stated requirement to apply continuously could inadvertently increase the continuous disclosure obligations. We would encourage the IIRC to clarify the reference to continual application using the concept of materiality enshrined in the Framework.

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.*

We note that the current Framework does not define ‘value’ – it does however, note that Integrated Reporting results in communication about value creation over time. We do not regard this as an omission, as value, and creation of value, can mean different things to different organisations. We do believe, however, that an organisation should be required to explain what it means by ‘value’ in its Integrated Report.

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?*

We question how the IIRC will be able to complement material developed by regulators, and avoid duplicate content, given the wide disparity in regulatory regimes globally. The

Framework, in its current format, overlaps significantly with the recent Operating and Financial Review guidance issued in Australia by the Australian Securities and Investments Commission. This underpins our view that Integrated Reporting should be market-driven rather than compliance-driven.

We are concerned about the reference to Integrated Reporting being applied “continuously” to all relevant reports. Given the breadth of an Integrated Report, to what extent might an entity be expected to give updates to the market in jurisdictions such as Australia where there is a concept of continuous disclosure? Under Australian legislation, an entity is expected to provide any information to the Australian Stock Exchange that is not readily available and that may have a material effect on the value of the entities share capital. Given the wide scope of an Integrated Report the scope of information that might then be considered of interest to shareholders could increase significantly.

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?

We would support the creation of an online database of authoritative sources of indicators or measurement methods as we believe this will provide practical assistance to organisations seeking to implement Integrated Reporting. However, if such a database were created, we would want the Framework to emphasise that these are suggested indicators rather than required disclosures.

We believe that the development of indicators and measurement methods will be market-driven; commentators have suggested that this has been the experience in South Africa.

We note that our concern is less the source of such indicators and measurement methods, but more that any such indicator or measurement method is clearly defined. In our view, an organisation should not be able to present any indicators or measurement methods that have been defined by the IIRC, unless the indicator or measurement method used is as defined. If another (undefined) indicator or measurement method is used, the organisation should explain the calculation basis in its Integrated Report.

Other

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

We note the Framework outlines the objectives of Integrated Reporting (the process) and of the Framework; however, it does not define the objective of an Integrated Report. We believe it should clearly define the objective of an Integrated Report. This should focus clearly on the intended primary users and the key current shortcomings. This objective needs to be considered in the light of the assurance that could be required from directors and auditors if Integrated Reporting were to be implemented by regulatory bodies.

It should be a requirement that each Integrated Report sets out at the start of the report the objective of the report, as well as its limitations, to manage the expectations of users.

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?*

The capitals by their nature, and of necessity, are generic to allow application to all of the different industries that entities operate in. While the capitals may not all be as applicable to a financial services organisation we believe that we will be able to adapt this to our business model.

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

We do not have any other comments to make in relation to Section 2B.

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?*

We do not have any comments to make in relation to this definition.

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?*

We do not have any comments to make in relation to this definition.

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)?*

Chapter 3 sets out the Guiding Principles of the Framework and one of these is Connectivity of Information.

We see Connectivity of Information as one of the key benefits and innovations of the Framework. A number of existing requirements require disclosure of different types of information. However, in our view, Integrated Reporting is unique in requiring this information to be presented in an integrated way. Given the importance of this principle of connectivity of information we believe it should be reiterated throughout the Framework.

For example, information about an organisation's business model becomes particularly valuable to an investor when it is linked to strategy and explains how the business model is structured to meet the strategic objectives of the organisation. Hence, as an example, Chapter 2 should be amended to discuss specific issues of connectivity related to an organisation's business model.

Other

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

We do not have any other comments to make in relation to Chapter 2.

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?

We agree with this approach to materiality which we see as consistent with the approach to materiality in IFRS. Materiality should also be assessed by reference to the objective of an Integrated Report, which as we have already noted has not as yet been defined.

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

We do not have any other comments to make in relation to Section 3D or the Materiality determination process.

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?

In the current Australian environment, as noted earlier, we would not want to see an Integrated Report become a mandatory requirement given the overlap with existing reports. The Integrated Report, if produced would be cross-referenced to a number of other reports which are already audited and which include assurance from directors. We would not want to see any additional assurance requirements given the cost and duplication involved.

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

We do not have any other comments to make in relation to Section 3E.

Other

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

We do not have any other comments to make in relation to Chapter 3.

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).

We do not have any other comments to make in relation to Chapter 4.

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?

See response to question 13 above.

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

We do not have any other comments to make in relation to 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?

See response to question 13 above.

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.

We do not have any other comments to make in relation to Section 5E.

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).

We do not have any other comments to make in relation to Chapter 5.

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?

As a Framework to support the market-driven evolution of Integrated Reporting, we consider the content overall as appropriate. We support a principles based approach and consider this an essential characteristic which allows entities to address their investors and other stakeholders in their own language. The Framework provides a model that is generic enough to be able to be applied to different organisations. We believe that improvements in the quality and consistency of presentation and disclosure will continue to be market-driven by the investors and other stakeholders who are users of corporate reporting.

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?

The IIRC should consider practical tools to assist organisations in developing and implementing an Integrated Reporting Process. Pilot companies and South African entities will have a number of insights from their experience which could be used to develop practical guidance on the logical process steps an organisation needs to take.

We also believe that the IIRC, from its experience to date, should demonstrate the benefits that can be gained from moving to the Framework, using existing case studies:

1. the key aspects of stakeholder communication that the transition to Integrated Reporting has strengthened; and
2. an analysis of the costs incurred relative to the benefits gained.

Other

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

We do not have any other comments not already addressed by our responses to Questions 1-23.