

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 view this greater level of integration not only of reporting practices but also of thought process goes hand in hand with encouraging the integration of sustainability in strategic planning, decision-making and operations.

Not only does it encourage it, but may very well be a powerful tool in getting us there as it brings sustainability closer to our financials and strategic planning colleagues in a way/language they are more likely to understand/accept/embrace.

We'd like to state that it is important that this framework evolves to some kind of "ground rules", that will serve to recognise that a company report is an <IR>. We do not expect that <IR> becomes something as GRI, we understand the proposal is quite different. But, we believe <IR> framework needs a few more boundaries to be recognised as a relevant tool for decision making.

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.*

No. Our opinion is they should be further refined as the framework evolves in terms of clearer definitions of concepts.

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?*

The very first sentence of section 1.18 is unclear: "the IR process is intended to be applied continuously to all relevant reports and communications, including analyst calls (??) and the investor relations section of an organization's website."

- The IR Process being 'Integrated Thinking' (this is our understanding of the beginning of the statement).

- That said, this statement is confusing. It is unclear how this will be verified aside from predicting that companies that manage to apply 'Integrated Thinking' to everything (as the statement above seems to suggest) will most likely produce the best stand-alone (as the following statement in 1.18 points out next) IR reports.

Our initial thought/understanding was that the IR should replace (in the medium-run) either one or both of the aforementioned documents (Financial Statements, Sustainability Reports) and not represent an additional report - so, in this sense (and in the medium to long-run), we do not agree with how the paragraph characterizes the interaction with other reports and communications.

In the short-run, on the other hand, as companies still become familiar with the thought process and interaction of themes before treated separately, the idea of this "integrated web of documents" proposed in the paragraph through linking documents does make sense. But, care must be taken so as not to confuse the reader/intended audience by creating a reference chase.

We are part of a number of working groups that are discussing the proposed framework for Integrated Report and we are listening that people are confused thinking that the IR is going to be another report, while our understanding is that it is not the case. We understand the IR as a process of integration of sustainability in companies' corporate processes and we think that this must be more clear in the document.

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?*

Other

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

Regarding section 1.3: "an integrated report is a concise communication about how an organization's strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term."

- We feel the word "concise" contradicts what the rest of the statement is asking for. A single strategic business decision, if mapped out in the "integrated thought process" taking into account all capitals and how the stocks are affected, mapping out and analyzing the different decisions made leading to the final output, and all put into the context above (company strategy, prospects, performance, etc) would very likely generate quite a dense report. How exactly would a company produce one for "everything" while being concise versus being superficial and risk missing the point all together?

Regarding section 1.6: "an integrated report should be prepared primarily for providers of financial capital in order to support their financial capital allocation decisions."

- While we believe it is very important that our investor stakeholder group become more educated regarding the social and environmental pillars of sustainability (not to mention the internal benefits of integration) we also perceive it as important that other stakeholders and public who access our GRI report/constantly request transparency and information also become more educated regarding the economic pillar of sustainability.

A possible alternative to Section 1.6: "An integrated report should be prepared primarily - though not exclusively - for providers of financial capital in order to support their financial capital allocation assessments." This would reinforce the mention in Section 1.7 of the benefits of <IR> to other stakeholders.

Regarding section 1.17: Specific mock/fictitious examples developed by the IIRC illustrating each of the four bullet points would be interesting to see, beyond the excerpts provided in the examples database.

Regarding section 1.20: again, the term "conciseness" doesn't seem to fit. There is an understanding that the information that reaches providers of financial capital should be concise so as to facilitate analysis and decision-making on their end; it seems necessary that this "concise language" that is being called for be better defined for the benefit of both ends (providers of financial capital and business). Accountants may translate this notion of conciseness into more quantitative/numerical language while there is still a ways to go in assessing/attributing value for natural capital and social capital stocks, for example. And, as section 2.24 later on points out "many uses and effects are best (and in some cases can only be) reported on in the form of a narrative rather than through qualitative indicators".

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 - the capitals model very clearly identifies the different capitals involved, a few of which are probably novel to professionals not working directly with sustainability and the notion of the triple-bottomline and ESG.

We feel the capitals model also facilitates the process of materiality identification for senior management when considering the materiality definition provided in 3.23.

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

Section 2.17 descriptions of capitals; for the Natural Capital, instead of beginning with "all renewable and non-renewable environmental resources" we suggest "all ecosystem services and renewable and non-renewable environmental resources" as a resource is not a service, but may provide variation of those.

Regarding 2.12 which references 2.19-2.21 and states that "this categorization [of the capitals] is not required to be adopted by organizations preparing an integrated report."

- How will this statement affect the Guiding Principle of Comparability? Especially if same-sector companies employ different notions/definitions/categorizations for their capitals.

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, it makes perfect sense.

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; also makes perfect sense.

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)?*

It would be interesting if a background paper was developed that expanded on section 2.28 bullet points; a "discussion of how key inputs link to the capitals, opportunities and risk, strategy and financial performance".

With regards to 4.21 of 4E: It would be interesting if greater clarification was provided in terms of "resilience"; resilience to what, economic crises? Political conflict/unrest? Environmental crises? New legislation? Climate change? etc...Resilience can be explored in a number of facets.

With regards to sections 4.24-4.26 of 4E. We feel this applies quite specifically to us, as a diverse global mining company and it would be quite beneficial if these sections were further expanded and clarified on.

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?*

Yes.

We fully agree with sections 3.23 and 3.24 as they are and view the IR materiality process as more "honest" without external stakeholder consultation. With the GRI for example, an external panel of stakeholders is indeed consulted regarding the material sustainability issues and we view this as enough external stakeholder input. We feel that it may become a "crutch" to the process while the aim should be that senior management instinctively determine whichever ESG megatrends or issues are material to core business based on the internal work already done and capacity generated on the subject (which includes internalization and appropriation by management of past external opinion of what should be considered material). We feel there is a difference between what senior management and those charged with governance naturally deem material and what they are told they should deem material by external stakeholders regarding sustainability/ESG issues (which is what happens during the GRI external stakeholder consultation, for instance), and that it could be quite interesting to compare the two different materiality matrices and use that as an internal building block in further advancing and integrating sustainability/ESG issues into strategic planning.

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?

External verification/assurance

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.

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, that could have the effect of conferring more reliability as per 3E.

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?

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).

With regards to 5F:

We had an internal discussion regarding taking a sectoral approach to IR and would very much appreciate if that were reflected in the evolution of the IR framework, as we feel it would help in clarifying, and would at the least address, the matters of "time horizons" and "comparability". As an example, mining operations take place over a very long period and quite often we find ourselves being compared in terms of quality of actions and reporting regarding sustainability/ESG issues to business sectors that are much less complex (both in time horizon and core business) and where these comparisons are not fruitful in any way and many times have the effect of diminishing our actions relative to others'. We feel as though this type of comparison does nothing to further general knowledge to the general public/stakeholders on what the contribution to sustainable development of different industry sectors can/should be.

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?

Currently the opinion is it that it seems appropriate. But, we believe the appropriateness of the framework will become more evident if it evolves into something that takes into account the complexity of reporting for different business/industry sectors. This speaks directly to the ability of the framework to demonstrate the value created over time by a company.

We miss some statement regarding the matter "valuation of ecosystem services" and the relationship with the IR. There are some people thinking that an IR means that companies will need to value ecosystem services, while we think that this is not the only way to do an IR.

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. Material on conciseness vs. industry/business complexity
2. Categories and descriptions of the capitals (components within each capital/as mentioned previously regarding the bullets under section 2.28).
3. Further work on value creation and destruction as related to trade-offs and business rationale behind those decisions.

Other

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