

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.

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.*

Considering the wide variation of organizations to which the framework would apply, the suggested set of principle-based requirements is in our view complete in as much as it offers the lowest common denominator across organizations. None of the principles-

based requirements mentioned in the framework should be eliminated.

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?*

It is stated in paragraph 1.18 of the Consultation Draft that "Organizations may provide additional reports and communications (e.g. financial statements and sustainability reports) (...)". According to 1.6, providers of financial capitals are the primary intended report users. Undoubtedly, investors are very important stakeholders. And while integrated reporting must serve their needs, from a company's perspective we have to look more holistically at reporting, since it is about communicating with all of our stakeholders.

Furthermore, the "hard facts" relevant to other stakeholder groups will sooner or later also become financially relevant, and a smart investor is aware of that.

We therefore think that it should be stated more clearly in the Consultation Draft that an Integrated Report is one part – the essence, most likely – of a complex communicating strategy. And this is not about developing one reporting format which is attractive to one important stakeholder group. It is about identifying the relevant data and making it available for the respective stakeholders, in a reliable and timely manner. An integrated report is a very important part of that, but it cannot stand alone. We therefore suggest clarifying the interaction with other reports and communications further. Otherwise companies will continue to combine and try to substitute existing reports by one report, resulting in documents with at least 300 pages - we feel that this cannot be the solution.

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?*

In our view, referring to internationally accepted reporting standards is absolutely necessary. To ensure comparability of companies' non-financial disclosures, a minimum set of indicators including accounting rules should be defined. Sources of reference to develop these should include (although none of the following can be regarded as a universally valid standard - especially in terms of comparability): IFRS, GRI G4, German Sustainability Code (DNK), UN Global Compact, ESG-KPIs by DVFA/EFFAS, Carbon Disclosure Project, EMAS.

Other

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

No comments.

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, we agree with this approach to the capitals. All categories of capital are relevant to the value creation process of an organization. Disclosure of the reason for omission of one of the capitals is necessary in our view.

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

No comments.

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 agree with 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 agree with 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)?*

No comments.

Other

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

No comments.

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?

In our view, materiality shouldn't be narrowed down that way. Maybe the average mainstream investor of our time doesn't take information relevant to other important stakeholder groups into account. Lessons learned should be that "hard facts" relevant to other stakeholder groups are or will be relevant to the investors overall. Therefore, the defined threshold ought to be concerned with a wider range of stakeholders. Consequently, materiality should be defined according to the GRI in its G4 Implementation Manual: "Determining materiality (...) includes considering economic, environmental and social impacts that cross a threshold in affecting the ability to meet the needs of the present without compromising the needs of future generations. These material aspects often have a significant financial impact in the short term or long term on an organization. They are therefore also relevant for stakeholders who focus strictly on the financial condition of an organization."

Furthermore, narrowing down materiality as suggested in the consultation draft could lead to a reporting "tunnel vision", which in turn might lead to omission of information that is of interest to other important stakeholders.

We acknowledge that for providers of financial capital, finding relevant non-financial information is currently very time-consuming. But instead of trying to reduce complexity, the focus should be on presenting information in a manageable and user-friendly way. Therefore it is necessary to evolve the overall format of reporting. Rather than discussing an integrated "report", which implies a classic, standalone (printed) report, we'd put more focus on talking about integrated "reporting", preferably carried out in an online format. Section 5I of the consultation draft outlines well how technology might facilitate conciseness without sacrificing completeness, from a broader stakeholder perspective.

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

No comments.

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?

The reliability of an integrated report could be demonstrated through an independent external assurance, particularly regarding the reliability of the quantitative data provided by the reporting organization (both financial and non-financial data).

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

No comments.

Other

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

No comments.

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).

No comments.

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, such a requirement is necessary, as it substantiates the credibility of an integrated report by holding the management accountable for the information provided.

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

No comments.

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?

External assurance increases credibility, which is why reporting organizations should strive to having as much information assured as possible. If not covering the whole report, the perimeter of the verification should be transparent throughout the 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.

No comments.

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).

No comments.

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?

The content of the Framework alone is not enough to enable organizations to prepare integrated reports. But the Framework prompts organizations to question their disintegrate thinking and reporting. In an ideal case, it triggers a process resulting in fundamental changes within an organization ("breaking down silos"), of which an integrated report is the result.

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. An overview of how Integrated Reporting will interact with internationally recognized standards, such as IFRS or GRI
2. Definition of a (limited) set of (sector-specific) indicators and how they are to be calculated
3. Provide public comments on best practices of Integrated Reporting

Other

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

No comments.