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: | Report preparers

If replying on behalf of an Organization please complete the following:

Organization name: | Indra

Industry sector: | Technology

Geographical region: | Western Europe

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.*

No comments.

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?*

Many contents of the Integrated Report are "static" contents that tend to not change from year to year (for instance: description of business model, strategy, etc.). These "static" contents should be present on more permanent communication platforms such websites, but fully integrated with the annual report. It makes no sense to repeat year after year the same information. The integrated report should be about how the company is delivering the strategy.
Furthermore, other kind of reports (financial report, sustainability report…) can offer more detail of the information. Summing up, the information should be distributed and the interaction and connectivity among the different platforms should be mandatory.

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?*

No comments.

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?*

The six capital model is helpful as a benchmark but it should not constrain the companies to explain their business model in their own way. In our case, we have used in our 2012 Annual Report what we have called "key success factors", which we think they are more material for us. They are our "free-vision" of the six capitals model.

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

For us, it was helpful to replace "society" and "organization" with the stakeholders as sources of the six capitals. It helped to a "smoother" transition from the previous "stakeholder" focus to the current "capital" focus.

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?*

It is also important to know how the company prioritize inputs, outputs and activities. Two companies of the same industry may have different business model depending on how they prioritize inputs, outputs and activities.

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?*

Very thorough and detailed description. Totally 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 (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.*

It seems that the "fundamentals concepts" and the "content elements" are somehow "overlapped". We do not see the need to keep "business model" as a "fundamental concept".

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?*

Very thorough and detailed description. Totally agree.

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?*

Very thorough and detailed description. Totally agree.

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.*

The draft should point out more explicitly the importance of the KPIs since they are the key for a good connectivity, materiality and future orientation. Somehow the principles should be completed with something called "measurability" (or something similar).

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?*

Currently, the financial report of Indra includes (as required by law) a management report on the Internal Control System for Financial Information, which describes the reliability of information and the framework applied, and it has to be signed by the governance body. The non-financial information should have the same level of requirement and commitment from the governance bodies.

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?*

Some contents of the integrated report may not be easily supported by documentary evidence so it would be difficult for assurance providers to make the verification.

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).*

We find particularly interesting the use of technology as a facilitator of integrated reporting: it allows the make the new content structure required by the framework, increase connectivity, the integration with other communication platforms, the use of XBRL, etc.

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?*

Indra began in 2008 its journey towards an integrated report. Nonetheless, we had to join the pilot program to make real progress in the integration. That is when we understood what our invertors and stakeholders hoped for our report. The framework is an excellent benchmark to prepare a report able to draw out how the company creates value in the short, medium and long term.

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?*

Just one: Connectivity of information. To our mind, it is the hardest principle to apply.

Other

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

No comments.

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