



10 July 2013

Dear Sir/Madam,

Integrated International Reporting Commission – Consultation Response

Thank you for the opportunity to provide comments on the above discussion paper.

Responses to the discussion paper questions on which we are able to comment are set out below. By way of background, it is London School of Business and Finance's mission to become the first choice for business education in Europe. Through educating the world's most creative, talented and ambitious students, London School of Business and Finance aims to bridge international boundaries and provide individuals around the globe with an opportunity to achieve academic, personal and professional success. LSBF attract over 20,000 quality candidates from over 140 countries worldwide, and continues to experience exponential growth, both on-campus and online, all around the world, while continuing to develop corporate training, partnerships and associations with best-practice organisations globally.

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The school continues to expand rapidly in response to demand from UK domestic and international students for globally accredited business qualifications and currently operates four campuses across the UK; London (Holborn and Marble Arch), Birmingham and Manchester as well as international offices in Singapore, Prague (Czech Republic), Toronto (Canada), Moscow (Russia), Hong Kong (China), Johannesburg (South Africa), Port Luis (Mauritius), Bogota (Colombia) and Almaty (Kazakhstan).

These achievements were recently recognised by receiving the Queen's Award for Enterprise 2013.

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.

It would be valuable for the IIRC, as part of its ongoing work, to draw together the extant literature on principles versus rules based accounting standards. This would include publications such as the Institute of Chartered Accountants of Scotland 2006 publication, "Principles not Rules: A Question of Judgement". This would be helpful since the constant assertions from standard setters that the one is better than the other masks the paucity of research on what counts as principle as opposed to rule based accounting in practice. It would also be helpful, we believe, if the IIRC reflected on the tone of its discussion document which we believe is overly centred on accounting discourse and moreover biased towards English speaking western, developed economies.

The Consultation is extremely vague as to whom an integrated reporting requirement should apply. It would be helpful to clarify, by,

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for example, size criteria, listing criteria or some combination of the two.

In all other respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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?

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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 recommend that the IIRC engages with the 'confidence accounting' initiative developed by Professor Michael Mainelli and others, now endorsed by such authorities as Andy Haldane at the Bank of England. Confidence Accounting proposes a robust methodology in order to move beyond point values and to establish ranges of values at appropriate levels of confidence. In the process Mainelli and his colleagues suggest significant removal of 'clutter' from financial statements as currently prepared, as well as greater relevance of information for account users.

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

As noted above, paragraph 1.10 states that the Framework is intended for use primarily by private sector, for profit companies of any size. Elaboration on this point would be helpful so that readers can understand whether integrated reporting is intended to be voluntary, mandatory, to whom it will apply and when.

We would humbly suggest that the IIRC is cavalier with what already exists, certainly for large listed corporations on established international exchanges, for example risk management and reporting, strategy and reporting, key performance indicators and their reporting etc., etc. Presumably the evolution of these modes of reporting, as well as the considerable sophistication of corporate websites has not come about fortuitously, or because board members and others think these are 'nice to have' luxuries.

We would also suggest that the IIRC pay some attention to the sometimes irreconcilable regulatory demands of specific jurisdictions. For example in the UK our Companies Act requires Directors to 'celebrate the success' of their organization. Logically, this is an impossible requirement to comply with at all times, for all corporations.

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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?

We disagree with the term 'capitals' a) because it reinforces the hegemony of the accounting and finance discourse in the formation of integrated reporting, b) because what is actually being referred to are different classes of resources, and c) the boundaries between intellectual, social and relationship, and human resources are not at all clear. We would suggest 'resources' is a better term.

In all other respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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

[no answer provided]

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?

"Business Model" is one of those terms bandied around in the world of business and finance which on close inspection has no settled definition. We would welcome working with the IIRC to research the realization of business modeling and forecasting in practice. In particular we note that the IIRC's definition of 'chosen' inputs, activities, outputs and outcomes is highly normative. One only needs to think of the events since autumn 2007 to understand that the 'chosen' aspect can never be more than an aspiration. And who would have thought at the beginning of 2010 that a multinational of the size and scale of BP could be hours from Chapter 11 bankruptcy months later due in part to a fundamental misunderstanding by Board and shareholders of its business model?

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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?

In all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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 answer provided]

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

[no answer provided]

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 all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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

We contend that climate change is material and that there is no need for a materiality determination process or an assessment of likelihood occurrence to be undertaken in order for climate change to be identified as material. There is plenty of information from reliable sources in the public domain to support the materiality of climate change to organizations and providers of financial capital alike.

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?

We have a philosophical and epistemological difficulty with paragraph 3.33. In both the natural and the social sciences it is well established that the intent is unachievable. We understand that this is also the stated intention of the IASB project, and take issue with that too. We would welcome the opportunity to research with IIRC how these impossible aspirations are addressed in specific corporate reporting circumstances.

We are in total agreement with paragraph 3.35, particularly as regards estimated amounts and would again draw the IIRC's attention to the 'confidence accounting' initiative referred to above

In all other respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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

We note that at paragraph 3.45, and elsewhere throughout the document, commercial confidentiality is correctly flagged as a potential barrier to effective integrated reporting. The IIRC should not underestimate the size of this barrier. One fundamental aspect of a corporation is its propensity to secrecy. We would welcome the opportunity to research this aspect of corporate life, and to understand how it is mitigated in practice.

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above. [no answer provided]

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 note the important reference to culture, ethics and values in paragraph 4.7 and ask how often is this reported in practice? Again we would be pleased to work with the IIRC to develop a research agenda around this topic

In terms of 4C Opportunities and risks, we would suggest that integrated reporting would be valuable if it disclosed those highly unlikely catastrophic risks which any organization faces, and which are uninsurable.

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?

In all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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

In all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?

In all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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.

In all respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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).

One aspect of the accountancy-centric tone of this consultation is that it ignores non-financial audit and assurance. We humbly remind the IIRC that businesses will be subject to ISO and other QA requirements in many circumstances, and that these are often of equal or greater value than the annual external audit.

In terms of the graphic figure 7 on page 33 of the document we would comment that a major omission from the list of entities/stakeholders has to be Tax Authorities.

In all other respects our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

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?

In all respects from here on our response mirrors that of the Climate Disclosure Standard Board's of which you are in receipt, and of which the signatory to this letter is a member of the Technical Working Group which authored that response.

Yours sincerely,



Steve Priddy
Director of Research