

## 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](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

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Stakeholder group:	Policy makers, regulators and standard setters

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

Organization name:	Spanish Accounting and Business Administration Association (AECA, Asociación Española de Contabilidad y Administración de Empresas)
Industry sector:	Not applicable
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

AECA (Spanish Accounting and Business Administration Association) welcomes the preparation of an International <IR> Framework and acknowledges the enormous tasks behind such an effort. We would like to thank you for the opportunity to participate in this consultation process.

When having in mind an international framework, it can be assumed that it will lead to a development of more detailed 'standards' as it occurs for instance with the IFRSs. Honestly, we expected a deeper degree of concreteness, regarding principles, capitals, measurement topics and especially indicators. Our main concern is that all these initiatives, given the major effort done to bring together that great number and diversity of stakeholders, will guide us all to a framework so wide that almost all kind of reporting could be qualified as "integrated". Comparability of information over time and along companies is also one of our main concerns and we feel that the framework, in this initial version, do not properly answer to this key challenge.

We clearly understand that this framework is an initial draft and that much more work is necessary in order to have a document that will be a real guidance and that will support the development of more detailed definitions and structures.

The aim of this contribution is to highlight where exactly these concretions are strongly needed.

## 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 agree with the proposed principles, and also agree with the requirement for all reporting entities to be in accordance with them if they intend to prepare an integrated report. Our suggestion here is to develop much more this list of principles. Some terms like "insight into the strategy" (3.2), "components (...) of the ability" (3.7) or "quality of the relationships" (3.13) are extremely vague and confusing. Concise definitions should be provided here as a basis for the rest of the document. We also consider as very important to include a clear mention to risks and performance here. The reporting boundary should be also stated and standardized, doing a clear mention to the need to perform and standardize some kind of consolidation process and cross-border problems. We would like to highlight our total agreement with statement located at 1.12, where entities are required to explain why they do not report certain information.

### ***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?*

In our opinion, there should be an exact link and identification between several reports. For instance, if some KPIs appear reported both in a complete sustainability report and in the integrated report, the figures should be the same. If the integrated report is in an aggregate level, aggregation and consolidation mechanisms should be explained by the firm, and in some way, a proposal for a standardization of such a process should be incorporated in a future version of this framework. Particularly, connectivity seems to be presented as something possible in absence of KPIs. A clear mention to KPIs and KRIs should be done there where connectivity is mentioned.

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?*

Please, consider our list of suggestion of authoritative sources of indicators:  
AECA. Integrated Scoreboard. <http://is.aeca.es/en/>  
Carbon Disclosure Project. <https://www.cdproject.net/en-US/Pages/HomePage.aspx>  
CNMV. Spanish Securities and Exchange Commission XBRL financial metrics. <http://www.cnmv.es/portal/xbrl/xbrl.aspx>  
SEC Edgar. Interactive Data with XBRL. <http://www.sec.gov/edgar/quickedgar.htm>  
GRI. <https://www.globalreporting.org/reporting/g4/pages/default.aspx>

## **Other**

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

If all stakeholders are relevant (1.7), then the IIRC will contribute to increase the relevance of non-financial information too, which is a desirable goal.

## **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?*

After spending much more effort defining capitals (2B) it is surprising that these capitals are not so relevant to be considered (2.19, 2.20, 2.25). Then, so what? These definitions do not match with a massive, relevant and authoritative academic and professional literature. For instance, there is still a strong discussion about the borders between human and intellectual capitals. Capitals are supposed to be defined as stock variables, but some flows measurements are supposed to be required (2.35) and then, these measurements are required in a qualitative way, or even impracticable to report (2.20). All these statements are confusing. Our suggestion is to focus not in stock variables but in flow variables that could be measured and audited in a standardized way.

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

No more comments here.

### ***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, we agree. This definition is in accordance to some other historical developments like the Enhanced Business Reporting. Our suggestion is to introduce the concept of business unit or cash generating unit, which can help those reporting entities that are using IFRS.

### ***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?*

We agree but we also suggest taking into account and acknowledging the relevant academic and professional literature on externalities in both Business and Economics fields.

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 more comments here.

### ***Other***

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

Value drivers (2.45) appear as a new concept at the end, and seem to be disconnected from capital changes, outcomes, etc. If this element is needed, a more concise link should be provided between KPIs, KRIs, capital changes, outputs and outcomes.

## **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 opinion, which is material and which is not should not be left to the subjective decision of firm's managers. We understand that some information is not provided to protect competitive advantage or for other practical reasons (1.12) but we propose that, as it occurs in the financial reporting arena, materiality levels should be quantitatively and objectively standardized, taking into account some relative metrics (company size) or even qualitative variables (like the industry). Otherwise it will lead to an enormous lack of comparability of the information disclosed.

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

No more comments here.

**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 our opinion, the most relevant mechanism to ensure reliability is, in one hand, a concrete and concise framework and set of standards in which the report is based, and in second hand, by external auditing processes.

We consider that, if the integrated report is going to be connected to other –probably audited- existing reports (financial statements, sustainability reports), probably a mechanism to link the data provided in the integrated report with those audited figures in the other reports could be outlined.

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

In our opinion this is one of the most concerning sections.

Especially in 3.51, it is declared that the report will ‘necessarily vary from entity to entity’. Then in section 3.52, comparability is reduced to industry or macro data, and the definition of indicators is left to other bodies.

If that is the case, then, it will be extremely difficult to assess when and to which extent an ‘integrated report’ is in accordance to this framework, or how stakeholders will be able to take informed decisions. A major task to be done is to create a list of authoritative indicators that will help to ensure comparability.

**Other**

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

No more comments here.

## 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 would like to provide some suggestions:

- When reporting on external environment, it could be useful to distinguish micro environment (like in the classical Porter's 5 forces (1985) from macro environment, using the classical PEST analysis. These classifications are widely extended in many industries and countries. Why re-classifying again?
- When reporting on opportunities and risks, it could be relevant to cite risks maps or other risks frameworks (i.e. COSO), or to do not go so much away from classical SWOT analysis.
- When reporting on resource allocation plans, it is necessary to remember again how risky it could be to preserve the competitive advantage, or to lose negotiation power again suppliers.
- Again, in 4.28, a much more detailed guidance is required to measure changes in capitals.
- We particularly agree with point 4.31 and how KPIs are defined. But, what about KRIs? And which KPIs or KRIs will be available?

## 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, in our opinion, in order to be considered as useful as financial statements by stakeholders, a major implication of the Management Board is needed.

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

No additional comments here.

### **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?*

An external auditor who verifies an integrated report, in our opinion should:

- Verify the whole report, in particular if its responds to all principles of the IIRC
- Verify if every single data provided there is audited for others, as connected and already reported in other statements, or otherwise provide sufficient evidence that the data provided is reliable, using standard auditing protocols that already exists for financial, social, environmental and corporate governance indicators.

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.*

There is no mention about how social media and XBRL will play its role in the digital reporting process of an integrated report. Much more research is needed here, and the Framework should, in our opinion, at least list these challenges.

### **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 more comments here.

## 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?*

This framework and the participative process started by the IIRC is one of the most interesting initiative of its kind in decades, and it is especially relevant during a great international financial crisis.

We think that this framework will be a pillar in the development of a better reporting. It is a promising starting point.

## 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?*

At least, a illustrative proposal of KRIs, KPIs and a proposal for illustrative XBRL taxonomy. Please, consult our Website ( <http://is.aeca.es/en/xbrl-taxonomy/> ) where a full proposal in this sense is offered by AECA, as acknowledged by XBRL International and already in use by several major listed corporations.

## Other

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

We now that more of the challenges proposed in this answer will signify an enormous consensus which is very difficult to reach. We hope that the IIRC will go on working in this initiative to make these requirements possible.

For all reasons already reported, we acknowledge the immense work already done by the IIRC, and are happy to be participating in this exciting initiative. The aim of AECA will be contributing as much as we can in this project, along with the Spanish and Latin America financial and stakeholders' communities.

AECA will continue its strong collaboration with the IIRC. In short, we will launch an online repository for XBRL reports, inspired in all these developments, which will be publicly available for firms that will intend to start reporting on XBRL.