

Dear XX,

**Draft <IR> Framework: Consultation Response from Jo Cain, Business Director Sustainability, Beca**

Congratulations to the IIRC on the issue of the Draft <IR> Framework for consultation and for the momentum gained and widespread engagement in the development of a consistent approach to integrated reporting.

I serve as a Board Member on the Audit and Assurance Standards Board (AUASB) in Australia and the Australasian Reporting Awards (ARA), as well as being an active participant in the Business Reporting Leaders Forum (BRLF). Recent sessions in Australia with Mervyn King, Paul Druckman and Michael Nugent were excellent – thank you to the IIRC for investing this effort and providing these access and engagement opportunities.

My comments on the Draft Framework are focused on materiality determination and assurance:

1. **Integrated report users:** want assurance across the whole Report. They want to be able to rely on the “truth” and accuracy of the Report and its contents. “Reliable and balanced” may be more practicable for assurance providers to achieve than “truth and accuracy”.
2. **Director disclosure versus investor reliance:** investors want to be able to rely on the whole Report, whereas directors in Australia want detail on the specific things that have been assured re: liability on disclosures. Director disclosure concerns vary considerably from country-to-country, hence investor reliability is more widely applicable.
3. **Reporting process assurance:** in order to provide assurance on the Report, the reporting process should be considered. Hence, some assurance on the Report development process should also be provided.
4. **Confusion:** there is already confusion regarding the level of assurance of financial reporting and much greater potential exists to confuse Report users in relation to assurance over the six capitals. Clarity is needed. Multiple separate assurance providers with a lack of consistency in approach and level of assurance would represent a confusing and suboptimal outcome. Multi-faceted assurance teams with specialists in different capitals would add value and enhance the potential for consistency.
5. **Forward looking statements:** business strategy and future outlook are more challenging to assure, although evidence can be sought in the form of business plans, benchmarking, forecasting and justification of assumptions made.
6. **Existing assurance standards:** can be used to undertake assurance of Integrated Reports, with ISAE3000 representing the “catch-all” for non-financial data and information assurance.

Producing succinct IRs will be the main challenge. This can only result from robust materiality determination processes to identify the absolute core information and data. This information and data must focus on the reporting organisations interaction with the six capitals, their

interconnectedness (this will be new to most organisations) and their influence on its value creation story for the reporting period and into the future.

Avoiding a prescriptive approach and “boilerplate danger” is something that reporters will look to the IIRC for leadership on. Many organisations have lost faith in the GRI, finding it too prescriptive nature.

The Pilot Program is an excellent source of case studies in progress towards the end goal and examples of how IR can be done.

Good luck as you collate the consultation responses from around the world to develop Version 1.0 of the <IR> Framework. I believe that IR is the “end game” and the confluence of financial and sustainability reporting that Mervyn King outlined when he was here. I am happy to be involved in further discussions and technical working groups - please do not hesitate to contact me.

Yours sincerely,

**Jo Cain**

Business Director - Sustainability

Beca

Phone +61 3 9272 1400 Fax +61 3 9272 1440

DDI +61 3 9944 1718 Mobile +61 434 180 680

[jo.cain@beca.com](mailto:jo.cain@beca.com)

[www.beca.com](http://www.beca.com)

## 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.**

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.

Congratulations to the IIRC on the issue of the Draft <IR> Framework for consultation and for the momentum gained and widespread engagement in the development of a consistent approach to integrated reporting.

As a Board Director on the Audit and Assurance Standards Board (AUASB) in Australia and the Australasian Reporting Awards (ARA), and an active participant in the Business Reporting Leaders Forum (BRLF), I support IR. Recent sessions in Australia with Mervyn King, Paul Druckman and Michael Nugent were excellent – thank you to the IIRC for investing this effort and providing these access and engagement opportunities.

This consultation response on the Draft <IR> Framework is focused on materiality determination and assurance, key services provided by Beca. We are also involved in Report development.

Good luck as you collate the consultation responses from around the world to develop Version 1.0 of the <IR> Framework. Please do not hesitate to contact me should you require further discussion or input to any technical working groups.

## 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.*

### ***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?*

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.*

## 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?

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

### **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?

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?

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)?

### **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?

Producing succinct IRs will be the main challenge. This can only result from robust materiality determination processes to identify the absolute core information and data. This information and data must focus on the reporting organisation's interaction with the six capitals, their interconnectedness (this will be new to most organisations) and their

influence on its value creation story for the reporting period and into the future.

Avoiding a prescriptive approach and “boilerplate danger” is something that reporters will look to the IIRC for leadership on. The Pilot Program is an excellent source of case studies in progress towards the end goal and examples of how IR can be done.

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?*

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?*

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?*

1. Integrated report users - want assurance across the whole Report. They want to be able to rely on the "truth" and accuracy of the Report and its contents. "Reliable and balanced" may be more practicable for assurance providers to achieve than "truth and accuracy".
2. Director disclosure versus investor reliance - investors want to be able to rely on the whole Report, whereas directors in Australia want detail on the specific things that have been assured re: liability on disclosures. Director disclosure concerns vary considerably from country-to-country, hence investor reliability is more widely applicable.

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.*

3. Reporting process assurance - in order to provide assurance on the Report, the reporting process should be considered. Hence, some assurance on the Report development process should also be provided.
4. Confusion - there is already confusion regarding the level of assurance of financial reporting and much greater potential exists to confuse Report users in relation to assurance over the six capitals. Clarity is needed. Multiple separate assurance providers with a lack of consistency in approach and level of assurance would represent a confusing and suboptimal outcome. Multi-faceted assurance teams with specialists in different capitals would add value and enhance the potential for consistency.
5. Materiality determination - is at the core of a good integrated report and to achieving standardisation in assurance. Assurance providers should review the materiality determination process, in particular the inclusion of all key stakeholder groups.
6. Forward looking statements - business strategy and future outlook are more challenging to assure, although evidence can be sought in the form of business plans, benchmarking, forecasting and justification of assumptions made.
7. Existing assurance standards - can be used to undertake assurance of Integrated Reports, with ISAE3000 representing the "catch-all" for non-financial data and information assurance.

### **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).

### **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?

### **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?

### **Other**

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