

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.

Since IR requires articulation on strategies for meeting needs of short, long and medium term providers of capital, it can lead to potential claims of bias amongst these different categories of providers. This aspect needs to be evaluated accordingly.

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 changes necessary as they are appropriate and complete.

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 the absence of specific indicators or measurement methods, it is not apparent how comparability will be achieved. At the same time having common indicators for social and environmental aspects which are so contextual may not be feasible. It may also not be advisable to monetize social and environmental impacts as it will only introduce one more factor of uncertainty, in areas where there are still lot of grey areas with respect to data definition, collection and collation. Of concern also would be the reconciliation of boundaries for indicators picked up from other reporting protocols.

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?*

ISO Standards.
International reporting standards such as GRI and CDP tend to be strongly biased towards developed economies issues. These biases result in excessive focus on issues arising for example, from transnational supply chains. Reporters should be encouraged to develop their own indicators based on their specific context subject to they being material and transparent.

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?*

We do not find cognizance of capital arising from good public governance, or the liability from the lack of it. In fact, the entire presumption does appear to be that businesses operate independent of public governance issues, whereas in developing countries the best of sustainable strategies can get unravelled by governance deficiencies.

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?*

A business is also strongly defined by the socio-political context in which it operates and this aspect is not adequately brought out in the definition. Implicit flavour of choice in the above definition obscures the the reality of doing business in developing world.

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?*

Yes, but it has to be appreciated that value of these outcomes would depend a lot on the maturity of the economy. Since a process of transformation and shifting value is again intrinsic in the multi-dimensional capital availability model, defined in the IR, it has to be accepted that the valuation of these outcomes have to adjust accordingly. Monetizing outcomes is not adequate as it essentially looks at all capital providers only through the eyes of the providers of financial capital. It therefore presumes that the views of the providers of financial capital supersede the needs of all other providers of capital.

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?*

By changing the definition of materiality from other globally accepted protocols on sustainability, it brings about multiplicity and possible dissonance with other reports that an organization may produce. While it is easy to understand where this definition of materiality comes from, even by simply stating that one group of capital provider is more important (at least for the purpose of this IR) than the others, it brings about a distortion, as an organization tomorrow cannot bring out another report where providers of human capital or environmental capital assume primacy.

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?

Essentially by independent third party assurance of all quantitative data. Assurance on disclosures related to say, risks would practically not be possible.

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?

This need not be included as it is difficult to acknowledge responsibility for areas beyond those defined by regulatory requirements. Typically areas outside those defined by the regulatory requirements would also see some overlap with other organizations and regulatory bodies.

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?

It should cover only the quantifiable elements and cannot cover the entire report as assurance on aspects such as risks and opportunities would require excessive information to be shared with assurance providers.

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.

Ultimately credibility is determined by market standing. Inability or unwillingness to carry out proper analysis and due diligence cannot be addressed by making excessive disclosure demands on businesses.

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?*

It is a step in the right direction but should cognize for:

1. It cannot replace due diligence by investor. It can only serve to disclose those elements that are normally not built into present business analytics.
2. It must be contextual in the sense that the world is not defined by an Enron failure and investors using the report should also appreciate that there is always need to prioritize allocation of resources.
3. It is also a report that should focus not so much on the here and the now, but also be able to communicate the process of evolution by which the organization has delivered in the past, is delivering now and shall aspire to do so in the future.

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. Identification of indicators - definition, how data is to be collected, collated and presented as without standardization on these aspects, there would be no comparability or comprehension.
2. Impacts can only be evaluated when base level data is available - simple, standardized formats for base level studies of all types of capital will be useful.

Other

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

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