

## 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.

We believe that an IR could get to an end where it will be a unique report (substituting the sustainability report).

We do not see an IR as a stand-alone report connected to other reports but as an evolution of the integration of the other reports.

We believe that the IIRC should play a more active role in the clarification of what an IR is: Is it the evolution or not of the other reports? And, How an IR is related to them? In this first stage of developing the framework, IIRC has listened to companies and has played a more reactive role. We think now it's time for the IIRC to be more proactive and guide the companies in this evolution towards an integrated report, making clear what is an IR and what it is not an IR.

We consider all stakeholders should participate in the materiality determination process, not only the primary intended users of the report (providers of financial capital).

## 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 welcome the principles-based approach because of the flexibility that it allows.

No additional principles seemed to be needed. Nevertheless, we find that there are overlapping concepts in strategic focus and future orientation; strategy and resource allocation and future outlook, which creates confusion.

Regarding comparability, additional guidance would be needed, probably on a sector basis and focusing on the quantitative information.

We are aware that materiality focus could be against comparability, but we see the importance of materiality rather than comparability.

In response to paragraph 1.12, we find difficulty in identifying the information that is unavailable as the approach is principles-based and there are no detailed requirements in the framework (this makes sense in GRI for example, where if certain information of a kpi could not be provided, an explanation could be given). Clarification would be needed for this paragraph as it's too general or too opened (What kind of information does it refer to?). There is an scenario in which we propose to eliminate it from the framework.

### ***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?*

We believe that an IR could get to an end where it will be a unique report (substituting the sustainability report).

We do not see an IR as a stand-alone report connected to other reports but as an evolution of the integration of the other reports.

We assume that paragraph 1.18 has sense in this transitional phase towards a unique report. Acknowledging that several reports would have to coexist at this first stage, we believe that at the end there will be only one report, with links (probably web) to additional information, but not to other reports.

Regarding paragraph 1.20, we do not see providers of financial capital as the primary audience.

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 think that a sectorial guide would be useful in order to implement the framework. Also, standards such as Dow Jones Sustainability Index, Carbon Disclosure Project, GRI, UNGC, ILO or financial indicators could be included in an online database.

Also, it would be interesting to have a selection of the main indicators from the existing frameworks of those that fit better to an IR according to the interest of the financial analysts.

#### ***Other***

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

We do not see providers of financial capital as the primary audience.

## **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 recognize that these 6 capitals are wide enough to allow organizations the adaptation that they consider.

We agree with paragraph 2.12, but there's a contradiction with paragraph 4.5. Therefore, we do not agree with paragraph 4.5. and think it should be eliminated from the framework.

Depending on the company's business model, some of the categories could not apply, so we think that there should be enough flexibility to reflect the spirit of the capitals, but adapted to our business model.

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

No comments.

### **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?*

We agree.

We think this should be the principal part of the report, as it includes all the other content elements. We see Business Model content element as the value creation process of the company (central concept of the report), including the rest of the content elements.

The interaction with the environment should also be explained in the definition, as it is seen on the figure, but not in the definition.

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. External outcomes are more complex to identify and disclose and would be one of the challenges of integrated reporting.

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 additional comments.

### **Other**

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

No additional comments.

## **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?*

We consider all stakeholders should participate in the materiality determination process, not only the primary intended users of the report (providers of financial capital).

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

The identification of material users, both financial and non financial, requires a knowledge of business reality and mainly about the future vision of the company. The fact of reporting about relevant issues for the company can be against comparability, as the report is more specific of the company. But we see that materiality has more importance than comparability.

**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 consider reliability of an integrated report would be demonstrated through a commitment signed at the highest level of the company and a third independent verification.

The commitment at a highest level will guarantee robust and homogeneous data collecting systems.

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

No additional comments

**Other**

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

No additional comments

**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).

Strategic focus and future orientation principle and Strategy and resource allocation and Future outlook elements have similarities among them. Therefore, we propose the following: maintaining Strategic focus and future orientation principle and join the other two elements into one element: Future Outlook, as Strategy and resource allocation element is included in both Strategic focus and future orientation principle and Business model element (referred to resource allocation).

## 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?*

We consider that the organization's governance bodies should have the responsibility of the veracity of the information disclosed and of the report being an integrated report.

Paragraph 5.18 says that the statement from governance body should include the opinion or conclusion about whether the report is presented in accordance with the framework. We consider that this opinion and conclusion should come both from governance body and a third independent party.

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

No additional 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?*

Verification should cover the whole report, due to the definition of integrated report, and it should be a unique verification (maybe together with GRI verification), not another one.

Specific norms should be developed in this sense (we propose performing a verification of specific issues such as the inclusion of content elements and framework principles as well as a global assessment of the whole report as an integrated report).

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.*

Auditing profession has to emit its opinion about this matter, as specific norms or standards should be developed.

## 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 additional comments.

## 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's an appropriate framework as it includes all critical information that providers of capital and other stakeholders are expecting to find in a report.

Nevertheless, more examples are needed.

It is a starting point and we recognize its value, but it will need to evolve in a specific guidance and maybe with a sector focus. It will also need to develop the clearness of the requirements in order to state that a report is an IR.

## 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?

We consider that more detail could be provided in the following topics:

- Connectivity of information: including examples of indicators and interconnected information.
- Risks and opportunities: including the level of detail expected by stakeholders.
- KPIs / KRIs.

## Other

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

We believe that the IIRC should play a more active role in the clarification of what an IR is: Is it the evolution or not of the other reports? And, How an IR is related to them? In this first stage of developing the framework, IIRC has listened to companies and has played a more reactive role. We think now it's time for the IIRC to be more proactive and guide the companies in this evolution towards an integrated report, making clear what is an IR and what it is not an IR.

The framework should explain how it fits with other existing reporting standards such as GRI, IASB, UNGC, etc.

There is some overlapping and confusion in the explanation of determined requirements

of information, for example paragraphs 2.12 and 4.5.

Flexibility for explaining the IR is not compatible with requesting at some stages to disclose concise information.

A topic specific paper about each of the principle-based requirements would be helpful.