

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.

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.*

Q 1: Principles based requirements
We support the principle based approach applied by the IIRC. No additional principles should be added.

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?*

Q 2: Interaction with other reports - While in principle we like the idea of one concise report, it will be difficult in the light of previous IIRC communication to communicate, that the „integrated report“ in effect requires an additional report, at least as long as financial reporting requirements don't change. The added value of IR for many people was seen in the combination of reports and in focussing of resources of report providers. With regards to financial reporting, the MoU with IFAC doesn't sound like short time alignment. With regard to sustainability reporting, if the reporting perspective is taken only from the shareholders perspective, and not from a stakeholder approach, the information needs of all other stakeholders will not be covered in the IR, thus requesting an additional Sustainability report. In line with other comments it is proposed to take a stakeholder perspective for audience and materiality. In effect, we would appreciate better alignment with financial and sustainability reporting requirements.

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?*

Q 3: Database: It is proposed to mainly reference GRI and SASB.

Other

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

Q 4: As already stated in Q 2 we are very sceptical about the approach to focus the audience of an integrated report to the providers of financial capital only (section 1.6. – 1.8). The statement, that the interests of providers of financial capital with a longterm view are likely to align with interests of other stakeholders seems not to be proven by reality and is questionable. We propose to address all material stakeholder concerns. We are slightly worried, that section 1.11 and 1.12 on competitive harm may result in non-disclosure of material information. We propose to provide further guidance by providing examples, e.g. related to strategy, R&D and externalities.

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?

Q 5: The Capitals: We agree with the concept as it related to state of art in science.

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

Q 6. Any other comments? None

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?

Q 7: Business model
We agree with concept as it relates to state of art in science.
But, we suggest to further clarify the concept of Value in the Framework document, as it seems to mean quite different things to different audiences and the additional interpretation document is not distinctive enough.

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?*

Q 8: Outcomes

We agree with concept as it relates to state of art in science.

The differentiation between input, output and outcome is common practice and reflected in most of the capitals.

E.g. for the nature capital, emissions are not identical to immissions. ISO 14031 already 20 years ago differentiated between the operational system, related to the inputs/outputs and the environmental condition indicators. The same concept is reflected in ISO 14040 for Product Life Cycle Assessments. Also in social sciences and systems theory the distinction between output of a sending system and its effect on the environment or receiving system is a standard concept.

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)?*

Q 9: Any other comments? None

Other

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

Q 10: Any other comments? None

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?*

Q 11: Materiality

Materiality is determined from the focus of the providers of financial capital only. This adds nothing to existing financial reporting and is therefore not supported. It is proposed to take a broad stakeholder view. In addition, the financial perspective tends to take a monetary focus only, sometimes resulting in discussions about monetarisation of external effects, instead of focus on impact related towards material issues from a stakeholder perspective. We propose to follow the approach suggested by SASB for the assessment of materiality and for linking the capitals with performance indicators.

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

Q 12: Any other comments? None

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?*

Q 13: Reliability and Completeness

We agree with the concepts in Section 3E, however we are not convinced that the current framework is sufficient as audit criteria. We suggest to develop this issue further in cooperation with international and national accounting bodies.

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

Q 14: Any other comments? None

Other

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

Q 15: Any other comments? None

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).

Q 16: Any other comments? None

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?

Q 17: Disclosure of governance body
Yes, it should be clearly visible who is responsible for the IR.

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

Q 18: Any other comments? None

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?

Q 19: Assurance

In principle, assurance should cover the whole integrated report as this is the underlying concept behind. However, we currently see challenges e.g. regarding future outlook and linked documents on the company webpage and other reports., to be subject of assurance procedures. See also our answer to question 20.

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.

Q 20: Suitable criteria for providing assurance

According to ISAE 3000, section 19, the practitioner should assess the suitability of the criteria to evaluate or measure the subject matter. Suitable criteria have the characteristics listed in paragraph 36 of the ISAE 3000 Framework. We suggest to align with national and international accounting bodies and the references above.

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).

Q 21: Any other comments? None

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?*

Q 22: Until the pilot projects don't provide convincing examples of how to describe the fundamental IIRC concepts and how that can be integrated with financial reporting requirements, we see a certain hesitance in the market to apply the IIRC framework.

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?*

Q 23: Explanatory materials

We propose not to develop any more theoretical concepts, but to focus on providing Integrated Reports in accordance with the IIRC framework, based on the pilot projects. The information we have seems to suggest that the pilot projects developed specific issues in depth but don't seem to apply the IIRC framework in total.

Other

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

Q 24: Any other comments? None

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