

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.

Very interesting initiative.

Our comments are limited to environment points, given our scope of work.

The <IR> is intended to be public; even if it is primarily prepared for the investor community, it will be read by other stakeholders, and their reading should be anticipated.

The notion of business model can be complex, as some businesses manage several types of businesses. Their consolidation into one business model will be difficult.

A major difference with traditional CSR reporting is the perimeter: while CSR reporting shows detailed information on many parameters within scope 1 (managed perimeter), <IR> will have to look into a much wider perimeter, especially:

- use of the company's products: for example, a car maker will have to include comments about the strategic element of his products fuel consumption, and a cement

producer about his positive impact in terms of contribution to energy-efficient buildings;

- subcontractors: activities and CSR practices at suppliers' premises are now proven to carry major risk to a large group, and be considered by the public to be part of the group CSR. <IR> will therefore have to include statements as to the emissions or pollutions induced by a much longer value chain. Have Nike's image and value recovered after all these years?

In this respect, <IR> will certainly have an important influence but calls for a very different CSR work than any of the current reporting standards.

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.*

Clarify what is reporting and what is forward-looking statement.

Do the changes in the various capitals have to be valued? On which basis? There is no explicit valuation principle, but there is also a clear invitation to the company and <IR> readers to do so, if only to check/prove that the company is creating value altogether... Please clarify.

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?*

The strategic, forward-looking approach taken in <IR> is not included in other reports, and will therefore lead the reporting company in creating new content.

Other reports and communications usually don't cover the same perimeter.

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?*

GRI
GHG Protocol
TEEB
Water Impact Indicator

Other

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

Very useful to have various functions in a business talk together about the business model!

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?

Yes, provided that:

- the valuation methods are clarified, and in-term homogenised
- even indirect impacts are included in the approach; indirect impacts means upstream (raw materials even if they are produced by an upstream sub-sub-sub-contractor) and downstream (impacts linked to the use of the product or even its end-of-life).

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?

Yes, with one question: is the notion of value creation to be understood as value to the shareholders, to all stakeholders of the company, or to society or even planet at large?

In order to calculate a global value creation, a price system for the capitals will have to be made explicit in the report.

How will be evaluated the potential value destruction caused by the business to competitors, to "non-clients"? For example, the internet has created a social divide and is contributing to exclusion of illiterate/non-equipped people; should an indicator represent this? Which one? Putting in figures the whole process of creative destruction and society evolution is challenging...

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, with the above-mentioned problem of defining the relevant perimeter.

Also difficult for conglomerates.

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?*

This definition means that only impacts presenting a risk of significant financial consequences will be taken into account in the report. It is certainly useful that a debate with shareholders is open on the impacts of the business on other forms of capitals, but is it more than a in-depth risk-analysis?

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

An other issue is about non-financial issues where there is uncertainty. One example: should a mobile phone company report about the risk that electromagnetic waves/fields finally prove to have health impacts on mobile phone users or neighbours of antennas? Would this be a red flag waved at stakeholders? Same on GMOs, nanoparticles, and most novel technologies ...How will this be valued?

The benefit of such reporting is of course that the company would have to state which measures it takes to study and prevent any such risk to materialise, maybe even to produce a risk-benefit analysis (for the customer) updated year after year.

But there is also a real risk that reporting in <IR> turns out to be a rather general statement stating year after year that "... may be harmful to health if not used with moderation according to the producer recommendation" that becomes so general that it

loses any weight.

Only experience will tell how the investors reaction will impact businesses behaviours.

Difficult choices will have to be made between reporting about emerging material risks or only risks that are already documented, but for the most part of them are already covered in annual reporting.

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?

Like the current reports, with an additional judgement about the choice of parameters that are taken into account in the report.

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

Again, the compromise between completeness and materiality will take some experience and learning time before it is commonly understood by businesses, investors and other stakeholders.

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?*

Yes, experience shows that high-level operational leaders' involvement in environment or non-financial matters is key to their proper consideration in a company. This means that these aspects have to be undertaken at the highest governance level especially when only material elements are included - basically elements that could put the whole business at risk, or open new strategic directions for the business.

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

Our experience at EpE is that, on the basis of a rather detailed non-financial reporting, top leaders are able to select the material themes and formulate their strategies on these themes. Integrated reporting is a natural outcome of CSR reporting, as a CEO, when invited to speak on CSR, does the materiality analysis. What <IR> seems to be all about is indeed that this high-level presentation is made public and written and is verified.

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?*

In time, yes, after some learning period. Data not to be verified will be produced with less care - we are only talking about material data, and a small number of them.

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.*

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?

The most difficult to value:

Climate

Health impacts

Biodiversity

Other

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