

## 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.

While we welcome the idea of integrated reporting, we do not support the idea (which the draft framework seems to suggest) that an integrated report should be additional to a financial and a sustainability report.

In our view, integrated reporting only makes sense if it creates one reporting instrument that can cover both financial reporting standards (e.g. IFRS) and non-financial reporting guidelines (e.g. GRI). To achieve this, a meaningful Integrated Reporting Framework would have to specify how e.g. IFRS and GRI disclosure requirements could be used as a basis of one holistic corporate report.

## 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, we do not suggest to add or eliminate principles-based requirements from the draft framework. However, we would suggest one clarification in formulation and one change in exposure:

Concerning the principle «strategic focus and future orientation » a formulation in the following sense should be added in the text under 3.2: « Even though an integrated report, as any other type of report, relates to a defined time period in time, it should provide insight into the ..... »

To ensure clear understanding of the framework, the principle «connectivity of information» should be moved backwards to become the second principle but last, right before «consistency and comparability». The reason is that it relies on the concept of materiality, which is introduced under the principles «materiality and conciseness » and «reliability and completeness ».

### ***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?*

No. This is the key objection we have to the International <IR> Framework draft. Paragraphs 1.18 to 1.20 seem to indicate that an Integrated Report would be a separate instrument from financial and sustainability reporting, and that companies that decide (or might be required to) publish an integrated report would do so in addition to financial and sustainability reporting. This seems highly ineffective and would present an undue burden to reporters. Much more helpful would be to structure the <IR> framework in a manner that enables reporting companies that have robust financial (e.g. based on IFRS or GAAP) and non-financial (e.g. GRI) reporting elements to combine those into one integrated report that fulfills the requirements of those standards and guidelines and provides a holistic view in the process.

Such a version of the <IR> framework should include « translation » guidance on how financial and GRI reporting indicators should be interpreted and disclosed in the context of integrated reporting. Concerning non-financial indicators, this could be provided in a similar form as the « sector supplements » that explain and complement the GRI standard disclosures for a particular sector (here instead of a sector it would be the particular perspective on <IR> reporting). Without such a clear description of how established financial and non-financial reporting indicators would be integrated and work together in integrated reporting, the claim of the draft framework that « the IIRC .. does not indicate to develop duplicate content » is meaningless.

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?*

IFRS, GAAP, GRI, UN Global Compact

## **Other**

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

The Overview Chapter introduces the <IR> focus on « providers of financial capital » as the primary audience of integrated reports. While this can be a valid choice for reporting, it seems rather arbitrary in the context of a reporting framework that strongly emphasizes the importance of six capitals. What about the providers of the other capitals, for example the employees as providers of human capital, as a target audience? In this regard, the <IR> framework seems a step backwards from the current status of sustainability reporting that takes into account all stakeholders.

## **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, we agree with the principle of the six categories of capitals.

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

Regarding «Intellectual Capital»: We suggest to stress more clearly the role of «Innovation» as a strong focus of this capital, as this terminology is widely used and well known by a large majority of organizations.

### ***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?*

No. While we agree with the general comprehensive definition of the business model, we would prefer a clearer emphasis on market needs and value creation for customers.

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

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)?

None

**Other**

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

The link between business model and strategy is not clear enough and should be specified. As the strategic focus is a guiding principle, it seems not logical to put such a strong focus on the business model and not emphasize financial and non-financial business strategy equally.

### 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?

Yes, we agree in principle and think that conciseness through materiality is important. We have, however, the same reservation as under question 4 on the almost exclusive focus on the perspective of providers of financial capital, especially when compared to the more holistic concept of stakeholder and business strategy materiality as in GRI G4 reporting.

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

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?

While a recommendation in the framework that assurance can be very valuable to enhance reliability of integrated reports would be appropriate, it should be made clear that assurance would not be required in this international framework. Rather, any mandatory requirements for assurance should be the content of national regulations that countries may or may not decide to develop around the <IR> framework.

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

None

**Other**

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

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).

Recommendations or requirements to include «Future Outlook» discussions should be phrased very carefully and in a manner that the framework does not conflict with provisions that financial reporting regulators like the SEC make to limit possibly misleading statements on future developments.

## 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?

No, a statement of such a responsibility should not be required, as it would create an additional liability for executive and/or non-executive directors and thus act as a hurdle to adopting integrated reporting. However, a statement on the importance of integrated reporting for the organization is very valuable and should be required.

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

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?*

In line with the importance of materiality in defining report content, it should be possible that also assurance covers only parts - ideally the most material aspects - of the report. Similarly to the assurance disclosure requirements under GRI G4, it should be required to state explicitly which elements of the report are assured, and which are not.

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.*

Full coverage assurance should be voluntary. Especially for smaller and mid-sized companies, the financial hurdle to report could act as a deterrent to integrated reporting. Assurance of the financial reporting elements should be required to the degree that financial reporting assurance is mandatory in specific regulatory regimes.

### **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).*

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?*

There is no clear indication in the draft framework to what degree <IR> would be appropriate and helpful for reporting organizations and report users. Creating more clarity on this point would require the framework draft to specify in concrete terms how an integrated report would be composed based on established elements of financial and non-financial reporting practices (IFRS, GAAP, GRI, UNGC) – see question 2. Until it is made clear how these elements could be used in integrated reporting, and how they would gain additional value by the (financial and non-financial) integration process, the appropriateness and usefulness of <IR> cannot be meaningfully assessed.

### **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?*

a) Guidance on how an integrated report can be developed on the basis of established financial (IFRS, GAAP) and non-financial (GRI, UNGC) guidelines

b) Clarification on how an integrated report would give useful information to the providers of other capitals (e.g. employees) or how communications to those would relate to integrated reporting

### Other

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

None