

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.

Please take note of our submission and the following key points:

- We agree with the idea that primary report users are providers of financial capital, but there is also a need to be responsive to other stakeholders.
- We need more debate and guidance on how to measure performance? What is considered to be "value creation" and how do we put values on the different capitals (input values, output values, etc)?
- We need to determine the standards for measurement of non-financials and who the standard setters should be.
- A list of material items should drive the assurance agenda and bring focus in the assurance assignments.

Best regards,

Simon Theeuwes
NV Luchthaven Schiphol

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.*

Not in our view.

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?*

Yes.

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?*

Industry or sector specific standard setters: to be investigated and debated first

GRI

(IASB, FASB, IFAC, etc can all be involved, but developing indicators or measurements is something else than developing accounting principles and rules)

Other

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

We need to determine the standards for measurement of non-financials and who the standard setters should be.

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?*

Not agree entirely, as the six capitals remain something that organizations may wish to deviate from (in terms of definitions, names and/or the number of capitals to be addressed). Organization may feel uncomfortable making compulsory statements about relevancy of all the individual capitals for their own organization. Alternative: demand from companies that they decide what their four most important capitals are and make sure that they explain if they use different names or definitions. Stimulate that organization start to report on the most important ones (with a strong preference of using IR definitions or names) and give companies a free choice to add the other two when relevant and meaningful information is available.

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

Interaction between capitals is not always as clear cut as one would wish them to be for the narrative of an annual report. Observations on this may also change over time. Also inputs, outputs and outcomes are for some capitals much more difficult to measure than for others.

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?*

Often not all aspects of the system are "chosen". The reality is that a significant part of business model is not chosen but forced on the organization in order to ensure continuity (survival).

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?*

Outcomes are sometimes attributable to specific business activities of an organization, but can also be dominated by external factors, changing conditions and/or perceptions. Impact studies have been possible for many businesses and may help to quantify outcome, however, measuring outcome persistently, reliably and audible in a quantitative way remains challenging. Making qualitative claims on outcomes is an alternative, but is likely to be perceived as 'soft' and unsubstantiated.

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)?*

On 2.36: To start reporting on outcomes that are not for a large extent influenced or controlled by an organization would be strange. It would only make sense if there is an outcome that is eventually recorded somewhere else in the value chain, but can still be directly linked to a particular business activity of the organization (and if the outcome would not exist without the organization's involvement. Otherwise it would almost be similar to governments reporting, next to reports on education, healthcare and law enforcement achievements, also on the number of sunny days in a country in a given year.

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?*

We agree with the idea that primary report users are providers of financial capital, but there is also a need to be responsive to other stakeholders. Moreover, the company's own assessment of what it feels is necessary to report is important too. We suggest that organization map their material items in matrix showing on one axis the relevance to the organization and on the other axis the relevance the its stakeholders.

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

No other comments

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?

The robustness of internal reporting systems is very important and the level of accountability throughout the organization for the provided information. An appropriate stakeholder dialogue could improve the quality, clarity and completeness as well. Like with the financial statements, independent external assurance could assess the reliability of internal reporting system and the information provided, but should focus on the most material non-financials and needs to review both qualitative as well as quantitative statements related to the most material subjects.

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

No other comments

Other

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

Compliments for the well-defined guiding principles. Applying these consistently will by itself enormously improve reporting.

No other 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).*

4.25 comment: true insight on business models (and the stocks/streams of capitals) and value creation will be lost if in widely diverse businesses the business model explanation is provided on a high and almost virtual level of a corporate centre. Conglomerates or groups with highly diverse businesses and integrated reporting/thinking may not not go well together, but there may be exceptions when top management has a focus on and the overall strategy is addressing the most important short, medium and long-term issues with respect to the input, output and outcome of capitals on an aggregate level: Are we gathering enough intellectual capital in each business? Do we attain, train and retain enough talented people? How much natural resources do we use per business activity and can we reduce this or will it increase to support growth?

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. It could be similar to the existing in-control statement and expanded with some specific statements that make reference to the IR framework.

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

On 5.18, final bullit: Maybe it takes to far to demand from those charged with governance to ask their opinion or conclusion about whether the report is presented in accordance with the Framework. Opinions may differ what means "in accordance with the Framework", in particular if the Framework is relatively new and organization's Integrated Reporting is still in an immature state.

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?

A list of material items should drive the assurance agenda and bring focus in the assurance assignment, next to assurance on the financial and non-financial statements (that may be part of the report or should be referred to; at least made public at the same time). Other parts of the report need to be checked on consistency, but the assurance should assess the quality of the information provided on (a selection) of material items.

Full-fledge assurance is possible when the measurements/indicators have matured and this may take time.

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.

No other comments.

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).

Not completely clear how XBRL will enable report users to better capture the content of Integrated Reports, except for a limited number of clear and comparable indicators (ESG factors, etc). It is OK to already include something on XBRL as its importance is increasing, but it seems to be an add-on that needs a bit of further development first for non-financial items.

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?*

The guiding principles are helpful and we agree on content elements. The capitals in combination with the business model, we consider as a good benchmarking exercise. However, we are not sure yet how this can be implemented for each and every business and how it results in meaningful measures of value creation on all capitals.

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?*

Measures, impact studies, indicators...

How to measure performance? What is considered to be "value creation" and how do we put a value on the different capitals (input values, output values, etc)?

Other

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

Well done and much clearer on many aspects of IR. How to deal with the capitals and business model explanation is fine for benchmarking purposes, but still a challenge to implement and this very much depends on the complexity of the business model or organization. The framework should remain sensitive to this and evolve when organizations, report prepares, assurance providers and stakeholders get more experienced with it.

Suggestion:

There needs to be a visible separate section where the organization briefly explains its integrated reporting, including an explanation on important omitted items of the IR framework. Also this section could provide all required information/disclosures as mentioned in section 5 of the framework (information on frequency, materiality, material matters, involvement of those charged with governance, credibility and reporting boundary). By separating this kind of explanatory, compliance related or sometimes compulsory information from the rest of the report, one can prevent that the natural flow of information and narrative/storytelling is interrupted.

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