

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.

Integrated Reporting should be for all stakeholders not just suppliers of financial capital. It should deal with where the business has been, is, and hopes to be with a full discussion of the know (quantifiable) and unknown risks.

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.*

Section 1.6 is too restrictive. Integrated Reporting should be oriented to Profit, People and Planet, not primarily suppliers of financial capital. Allocation of human capital is essential in obtaining a return on financial capital.

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?*

Again, it should go beyond provision of financial capital and be an over arching framework dealing with how the entity plans to proceed, the expected returns and all risks.

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?*

There can be no authoritative sources. Government figures are helpful in most countries. Many trade associations have useful US and foreign data, the IMF/World Bank can be helpful as are mainly private sector organizations such as Platts for oil data and the Final Four accounting firms.

Other

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

There is insufficient discussion about risks which are the primary determinant of the discount and capitalization rates that quantify the value created.

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 consider that the concept of Natural Capital is flawed in that its components are often in no way controlled by the organization. In our view, petroleum or mineral reserves are part of manufactured capital as their value is only created by the entity's activity.

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

It is not clear if the different capitals that are used in a business model are to be expressed in financial (monetary/dollar) or physical (volume) terms. As Integrated Reporting is intended for suppliers of financial capital, monetary amounts are implicit but efficiency is often best expressed in physical metrics (man-hours/tonne).

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?*

This is an acceptable working definition.

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?*

We believe the definition should be expanded to differentiate between outcomes, affecting owned or controlled capitals and those related to non-owned or controlled items.

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)?*

The effect of innovation or the choice of technology in the Business Model is not really discussed. Those factors have a large role in the efficiency of any operations.

Other

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

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?*

Materiality is an elusive concept. One of the easiest techniques is to use is a statistic measure (say 3 standard deviations) and treat any figure below the mean less 3 standard deviation as being immaterial. The view of users tend to be "warts and all".

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?

A description of the process involved and the degree to which an outside firm has reviewed and confirmed the underlying data.

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

There should be expansion of the need to disclose future-oriented information, the underlying assumptions and the potential risks.

Other

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

Nor enough discussion regarding risks.

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).

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?

The inclusion of such a statement might in some jurisdictions create a legal liability for the individuals involved. Therefore, it should not be mandatory.

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?*

It should cover only certain areas as assurance is not possible for future-oriented information.

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.*

None.

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?*

We believe that the Consultation Draft is a good first step but a Basis for Conclusions document, as well as Illustrative Examples, would result in a useful, actionable product.

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. Determination and quantification of RISKS
- B. Development of measures of the various capitals.
- C. Implementation of valuation techniques.

Other

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

None.

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