

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.

Overall, we think the framework is heading in the right direction. However, we feel that as an Integrated Report (IR) is the outcome of integrated thinking within the organisation, this concept should be brought right to the forefront of the paper.

To add to the materiality process, could there be some guidance on how to determine an organisation's responsibility boundaries (such as carbon scopes), which will in turn influence their reporting boundaries?

We also still feel quite unclear about how the IR fits in with other communications.

This is mentioned in more detail in the following questions, but we'd be interested to see the evolution of the Emerging IR Database and looking for more technical guidance on specific areas.

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 think this is fine.

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?*

Overall we feel that this needs to be more clearly defined within the framework – it's not clear how an integrated report will sit next to the other reports and regulatory requirements. If the boxes are already ticked in other reports, then clients may query why an additional integrated report is needed, considering the additional financial implications this would have? As far as we can determine there are four potential options: three separate reports, an integrated annual report, an integrated sustainability report or one annual report. It would be good to have clarity on the direction that the <IR> are looking for.

We also feel that there's a lot of thought on the output, ie what form an integrated report will take, rather than the process of integrated thinking, which would lead to all communications being integrated.

Value in having a separate report as it allows you to assess how integrated the thinking is within the company.

Would be interesting to know the outcome of the pilot programme.

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?*

We suggest GRI and UNGC as global standards.

In addition perhaps UK Corporate Governance Code, Companies Act, FTSE Listing Rules and international equivalents.

Other

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

To echo the response to question 2, we feel strongly that an integrated report should be the output of integrated thinking within the company. And therefore the idea of integrated thinking should be brought to the forefront of the framework.

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?

Overall we do agree with the proposed approach to capitals, including the fact that companies only have to report on the capitals that are appropriate to them. This gives flexibility and means that this framework can be used by a wide range of organisations.

However, the actual definition of capitals as 'stores of value' sounds very static.

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

It would be good to have more practical guidance on how the framework could be applied, perhaps via the Emerging IR Database.

We understand the challenges that this is a framework intended for international use, however we wonder if the term 'capital' is the best term as it has a lot of financial connotations, although arguably it is linking non-financial to financial. Perhaps 'value' would be a better word, or even 'value creators'.

We feel that the Social and Relationship capital covers quite a lot and perhaps feels like a bit of a catch all category. Covering any relationship that isn't employees covers a wide range of very different relationships. There's also a big emphasis on value creation over time but this isn't clearly reflected in all capital descriptions, for example with Human Capital there isn't anything to suggest threats and opportunities to explore beyond actual employment – future employees, ex-employee influence through retirees, alumni, etc.

Although we feel the comment in paragraph 2.20 is valid, there is a line between making the framework easy to understand and making it easy to apply.

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, we agree with this definition and are pleased that it encourages organisations to account for all the non-financial value creation.

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?

Good definition. Encourages transparency by clearly linking inputs to outputs. We feel that linking capitals to outcome will lead to a more comprehensive understanding of how the company creates value and gives a joined-up picture of the business model.

We felt that point 2.32 focuses a lot on the financial capital and perhaps misses out other capitals as part of environmental and social responsibility as part of product responsibility. If this isn't covered in business activities, then we feel this should be covered in the outcomes.

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)?

Yes, we agree with the definition. However, for clarity we suggest the definitions for these terms should be included in the main text, bringing them more to the front of the process.

It would be good to have some clearly defined examples of good practice business models in the Emerging IR Database.

Other

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

We feel that it's positive that the language terms used in this section correlate with other organisations in the industry.

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 feel that there is quite heavy emphasis on getting senior people within the organisation to take a view on what issues are material, when in actual fact we feel that the process is more broad and you can't define materiality just on people who work within the organisation; you need to look to other stakeholders.

The theory is OK in terms of process, but there's no advice around the practical application. It would also be good to have some examples of good assessments of materiality; best-practice sustainability reporters such as Ford is a good example.

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

For the determination process it would be good to have examples of both annual reports and sustainability reports.

With reference to conciseness it appears that there's currently a tension between transparency and conciseness. At what point is there too much detail? And where does that information go? In a supplementary report? Is the framework suggesting that an integrated report should be a lot shorter than an annual or sustainability report? If so, how short would this be; is it an eight-page document for example? We think this comes back to how the communications sit alongside each other. In our minds, the most sensible approach would be to have the integrated report as an overall summary, with supporting material in traditional reports and communications for specific audiences.

We think this would work well with the idea of integrated thinking as everything would be linked together. It's just a case of making more or less information available depending on the audience.

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?

We think this is well covered. The extent to which assurance is provided is often dependent on the sector and the level of trust stakeholders have in their performance and transparency.

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

No additional comments.

Other

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

The comparability section covered in 3.51 and 3.52 provides some interesting insight into the value-add and management insight integrated reporting could provide. Are you able to make more of this? Perhaps it should be covered elsewhere/in more detail.

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).

The 'question' approach, rather than a checklist of specific disclosures, works well as it feels less formal and corporate.

"An integrated report should stand alone as a concise communication, linked to other reports and communications for those stakeholders who want additional information."

Again, it feels as though the real purpose of an integrated report – and how it fits into a suite of reports – is unclear. Producing an integrated report is quite a major step for an organisation, and there should be more emphasis on viewing the IR as a standalone document (and not just one of many reports).

Overall we feel it would be good to have a couple of example sections throughout the framework to demonstrate how everything might fit together in practice.

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?

This is very important. You should hear from the chairman or the CEO as standard practice, to ensure people at the top of the organisation are engaged in the process, showing IR is being applied appropriately and taken seriously throughout the whole organisation.

However, we feel it's not enough just to hear from the CEO or the chairman, key people or bodies responsible for implementing integrated reporting should also be required to comment or acknowledge their roles and responsibilities.

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

Encouraging people to think in a certain way, rather than just producing a report.

There are comments throughout the framework that touch on integrated thinking, but we feel that this should be brought to the forefront of the document. It sometimes gets a bit lost between how to communicate and actually communicating what's happening. Would be great to say that an integrated report should be driven by integrated thinking rather than just producing an integrated report.

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?

Our initial thoughts are that the whole thing should be assured as it’s meant to be a complete, joined-up story. Although we are aware that to do this the organisation needs to be confident in the data collection methods.

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 additional 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).

No additional comments.

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?*

It's good that only issues the company feels are material need to be reported on.

Would be good to have a series of options or examples of how to apply the framework. Something to make it less hypothetical.

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?*

We feel that the following three topics would benefit from further clarity and examples:

Capitals

Materiality

How to communicate the business model.

Other

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

No further comments.

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