

## 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.

Net Balance has contributed to multiple industry and membership body submissions to the consultation process as well as IIRC workshops. The following answers, therefore, focuses on material which is not necessarily reflected in group submissions. As such, only several fields have been populated.

## 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.*

The definition of an integrated report includes a consideration of "context of its external environment" however context is not used as a principle itself. Context is a reporting principle used by GRI and there is some interest in context-based reporting as a reporting framework in itself. If it is not to be used as a principle within the IR Framework, then a reference regarding why it might not be relevant to IR or what other mechanisms in IR serve a similar purpose would be helpful.

### ***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 IIRC has explicitly said in meetings and workshops that financial reporting and sustainability reporting must continue to thrive and mature in order for IR to work. The IIRC has also said that sustainability reporting is not to be replaced by integrated reporting. These statements were made in launching the IIRC Framework and at the launch of GRI's G4 but are weak or lack emphasis in the Framework itself. This is leading to all kinds of confusion, particularly the merging of a message on "one report" and an "integrated report" being one and the same. There is a distinction between reporting as a process and producing a report as an output which has not been made clear in the framework. How disclosures developed from financial, sustainability and integrated reporting processes and tools are then communicated is a separate but related discussion on communications.

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?*

## **Other**

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

The Consultation Draft states that the primary audience is “providers of financial capital” rather than “investors”. IIRC presentations and workshops have reinforced the notion that the Framework can also be used by government agencies, private companies and the not for profit sector when preparing reports. This, among other things, seems to have caused some confusion. Is progress best served by getting integrated reporting working robustly and clearly for investor audiences alone?

## **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?*

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

Paragraph 2.25 states that IR does not expect organisations to tally their net impact through examining trade-offs between the capitals. However, raising the issue and providing a narrative of the capitals and the relationship between them is likely to provoke the question. One of the elephants in the board room that’s not dealt with is that proper integration of the capitals may find that most companies actually create less value than previously accounted for – how does this affect valuation and strategy? IIRC may wish to consider an integration pathway for the capitals that allows companies to re-adjust in a new paradigm.

Secondly, the Framework addresses a corporation’s sustainability and not planetary sustainability. It is, therefore, somewhat misleading to use diagrams such as figure 4 (page 13) which implies the adoption of a philosophical

### ***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?*

**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?*

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?*

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

**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?

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

**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?

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

**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?*

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?*

## Other

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

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)