

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.

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.*

We understand that the main requirements addressed on the Framework include the expectations and objectives of an Integrated Reporting <IR>, but we disagree when the Framework requires organizations to inform and explain the omitted material information on the <IR>. Due to the legal proceedings or to the unavailability reliable data or to the competitive advantage loses some information must be omitted.

We understand the importance of it, but we think that this information will affect the "thought" of investors (stakeholders) negatively on the company and because the disclosure of this information goes against some legal and local issues. Omitted material information shall be disclosed at the best time possible in accordance with the Directors guidelines, in other words, when it could be reliably measured.

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 Framework cites the <IR> needs of interaction with another reports and communications disclosed by the organizations. We understand that this is the best way to achieve a clear, concise and objective report; since only relevant and material data are going to be disclosed and any additional information necessary to complement the subject understanding can be easily found on external links.

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?*

The creation of an online database of authoritative sources of indicators or measurement methods will be an important tool to evaluate the quality of all the reports disclosed and the adherence to the Framework concepts.

Some references that should be included:

- the way that the capitals were detailed;
- responsiveness to stakeholders;
- the quality of the determining materiality criteria;
- the strategies approach over the time;
- measurement pricing of intangible assets; and
- financial indicators.

Other

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

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, the Framework approach of capital includes all the essential concepts for value creation over time and for business model maintaining. The segregation on different classes of capital enables a better understanding of them and of the interactions with the innumerable activities on the organization. It's up to each organization to determine the best way to measure and present the capitals.

It is valid to say that the segregation of capital allows a more accurate assessment of how the capital interacts with the organization activities, allowing opportunities for improvement over the process of value creation over time.

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

Regarding capitals segregation, we understand that there is a need to develop a unique tool for measuring the financial and non-financial information.

In addition to the discrimination of the capitals, the prospects presentation of sustaining these capitals over time (short, medium and long term) would enable users to understand the policies and strategies about each capital involved in the context of the organization.

We understand that the criteria of relevance and materiality should be used when defining and disseminating the capital, because each organization has singularities in the creation and consumption of each capital. In addition, the integrity and consistency of capital must be maintained to provide comparability between the capitals of earlier periods.

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. The definition above shows the flow of the organizations operating in an objective way, describing the logical sequence of activities applied to organizations seeking to create value over time.

However, most of companies operate with several business models, so would be interesting to adopt the relevance and materiality criteria. The presentation of a single consolidated business model is already enough to address the requirements of the Framework and expectations of the investors, well as being a clear and concise disclosure, which facilitates the understanding and the reconciliation of the information disclosed. If there is a need to supplement the information disclosed investors may seek additional data in external-links.

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?*

Yes, we believe it is extremely important to detail the positive and negative consequences of the organization's socio-economics results. As adopted to other aspects, the materiality and relevance criteria should guide the identification and disclosure process and consider the internal results and externalities, because the combination of these factors is essential to understand the positive and negative effects on the organization.

Regarding external results (or externalities), we emphasize the need for greater rigor in the presentation, because this factor is related directly to the welfare of society as a whole.

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 Framework Items 4.24 and 4.25 detail the disclosing guidelines about the various business models. However, we understand that the presentation of all business models on the Integrated Reporting does not fit with the concepts of relevance and materiality contained herein. The business models that should be disclosed on the Integrated Reporting must contain the most significant results about organization's shares.

We suggest that the others business models should be briefly presented and any additional information can be found on the external links.

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?*

Yes, we agree with the definition of materiality in relation to potential impacts on organizations. However, we believe that the determination of relevance should not summarize the opinion of senior management or those charged with governance, but also in view of the internal and external auditors, who are responsible for attesting to the veracity of the reports.

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

The flow for determining materiality presented in Framework's topic 5.3 objectively describes the main steps to be used in their identification, which are determining the relevance, importance and priority. However, we understand that the process must be monitored and validated by the responsible teams for the governance and internal and external audits, not only by senior management. The participation of all those involved in this process would make the information more transparent and balanced in accordance with the purposes of Framework.

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 reliability of the information in the <IR> can be obtained through numerous processes or measures which mitigate the informational risks to an acceptable level, such as: the Administration Council's report and other international control activities (Internal Audit, Compliance and robust information systems).

The spontaneous participation in the entities and indexes which structure the Governance policies, such as: Association of Self-Regulation and Best Practices in Public Companies, GRI, Dow Jones Sustainability Word Index, Corporate Sustainability (ISE) of BM&FBovespa end Securities and Exchange Commission, ensure a greater adherence of these organizations in relation of governance's policies, including transparency and reliability of information.

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

In our evaluation of the 3E section we believe that some concepts are placed in a theoretical way, necessitating a more practical exercise. For example, the analysis of the cost-benefit ratio associated with the <IR>, since the text does not make clear what are the paths to be taken in order to this control be measured by organizations. In the case of information balancing contained in the <IR>, we believe that the theoretical approach is very subjective and hardly applicable, since the tendency of organizations would be a positive approach to their business plan.

Another important point is the need to disclose relevant information that affects the competitive advantage of organizations. We believe that this information should not be disclosed and its concealment should not be mentioned on <IR>, since it has direct impact on the maintenance and creation of value over time.

Other

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

We agree with most of the content requested by <IR>, but some points need to be revised. For example, the passage that mentions the need for disclosure of governance practices, regarding the remuneration of senior management (4:12). However, there is no way to predict the future earnings of these directors, as remuneration is linked to various internal and external factors, such as the future results and consequently the value of the company's shares in the market.

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?

No. We believe that there is no need to disclose a statement acknowledging that specifies the responsibilities of the Governance Team on the Integrated Reporting. The framework already reinforces the extreme importance of the Governance on the process of creating an Integrated reporting and their participation is implicit in all the development, validation and dissemination processes.

The report should briefly disclose on the Governance's field, the organization's practiced process, including the structure, governance models and the performed controls; the existence of committees for handling specific issues and the participation on indexes or evaluation organs for Governance practices. The Governance Responsible' s opinion can be added, since it is not mandatory and do not repeat information already disclosed by the Board of Directors.

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

We understand that the Governance team should participate on the process of development, validation and presentation of the <IR>, just like any other case that involves organization's risks. However, we believe that it lies solely to the organization to define how governance engages with the Integrated Reporting process.

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?

Credibility is one of the main pillars of the Integrated Reporting and must sustain all the information disclosed, not only specific aspects. Both the qualitative and the quantitative information should follow the same assurance criteria that use specific methods for each point of view. We understand that the credibility is a key demand to most of stakeholders and must ensure the accuracy of this 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.

The Framework does not provide any information that shows us the possible scopes of audit that are going to be used, especially related to matters not covered on similar reports made by the organizations, such as the measurement of intangible assets, the assurance data, the assurance of project scope and other qualitative information. The Framework should provide standard measurement criteria and evaluation, suggesting a basic model that allows a good comparative analysis.

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).

One of the main objectives of the Integrated Reporting is to disseminate the key information that affects the ability to create value over time, in a clear and concise way, addressed to all stakeholders. However, we understand that some suggestions proposed by the Framework on Chapter 5 are solely aimed at the investors interests, such as the adoption of a single consultation tool, the XBRL. This tool would be useful to all investors, organizations and analysts, however, would exclude other stakeholders that do not need this kind of information. Furthermore, the XBRL could discourage stakeholders to use the integrated reporting, since that the information of all organizations may be available in a practical environment.

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 Framework owned the role of drive the Integrated Report development presenting and discussing the guidelines and suggestions proposed by the IIRC, due basically to the pioneering and magnitude of the project. We highlight the conceptual approach and the inclusion of subjects who were not treated previously in other corporative reportings.

However, we emphasize that the quality of disclosure depends essentially on the concepts covered by the framework, which, at the present time are subjective. So, the evolution of the reports will be directly related to a clearer and more objective Framework.

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 believe that the topics that require additional information are respectively:

- **The Capitals** The inputs and outputs rating on several capitals requires the adoption of specific criteria, basically to similar processes, in order to ensure the integrity of the information and allow comparability between different periods or reportings.
- **Credibility** is one of the key concepts for the integrated reporting market acceptance. We believe that would be extremely necessary to develop a Framework model intended solely auditing firms, in order to ensure the reliability of the information and make comparative analysis between efficient organizations.
- **The Materiality** The concept of materiality takes into account any financial or non-financial event that affects the organization's ability to create value or to sustain the business model over time. For a more accurate determination would be interesting to develop standardized models for similar activities evaluation.

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