

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.

<p>KEY POINTS</p> <ul style="list-style-type: none">-The process of integrated reporting really has the power to change how businesses behave. Please don't just make the report aimed at financial capital providers!-Be more open about linkages with other frameworks and organisations, eg GRI-Needs much more practical guidance on how this very conceptual framework would be implemented
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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.*

In the main they are OK.

I am not sure the title for the stakeholder principle is quite correct. It sounds like how responsive your stakeholders are to you and quite one-directional, when it should be (as you say in the explanation) about a relationship. Could be 'stakeholder relationships'?

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?*

There have been a lot of conversations in consultations about whether this constitutes a further burden on organisations if they complete this in addition to a finance report and sustainability report. You need to be clear about exactly what this is and who it is for, post-consultation. Is this the end game, or will it be a 'third report'? Communications from your various team members don't seem clear on this.

I think you also need clearer about linkages to other organisations and other frameworks. If you expect people to use GRI to complete the report (as I've heard said at some events by IIRC representatives), say that. I really fear that you will lose people if you do not give them more guidance on this and how to actually go about reporting.

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?*

GRI.

Could use some ISO standards but these are much narrower so only of limited use in the reporting process. Could be worth including Global Compact as it's well used and might be helpful for people to see where the linkages are.

Other

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

Do not agree with pulling out financial capital on the second bullet of IR aims. Skews the whole idea of six capitals if you focus on one. The focus is on value, not just financial value.
Don't agree with the primary audience being providers of financial capital. You have the opportunity to do something amazing for the world here with IR and really change things - so I fundamentally disagree that this report should be aimed only at investors, and think it should be explicitly much broader to other stakeholders.

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?*

In principle, yes.
People might get confused about manufactured capital. If you are a services business you are likely to use things that are created by other companies but not necessarily 'manufactured', but wouldn't fit into intellectual capital.
Could this be 'created capital' to cover this?

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

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. I think people will struggle with articulating this though! Case studies of how the pilot companies in different sectors and in the public and third sectors as well as SMEs have achieved this would be useful I think.

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?*

I think consequences is OK. I understand it to mean impacts. If this is what you mean, why not just use impacts? Its a well established word in reporting so no point introducing another for the sake of it. Consequences feels a little removed.

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?*

As above - don't think the primary report user should be financial capital providers.

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

There is an issue inherent with the word 'concise'. As you say, in order to be concise requires links to other documents. This implies that this is a summary document?

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?

Reliability can be enhanced by defining metrics or at least a standard framework already in existence to provide comparability.

There is obviously a role for assurance to play here, but it needs to be accessible to all, as financial accounting/assurance currently is - not at the sometimes astronomical levels charged to assure sustainability information.

If accountants are to be asked to assure this information - which could easily be the case for an SME - then the way accountants are trained will be to addressed in the long term.

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).*

This section is fine. There is nothing really groundbreaking in here that hasn't already been set out in GRI reporting or even a business plan.

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 I think there should. This would help with reliability as well as ensuring it remains at the top of the organisation.

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?

As long as it is clear which parts have been assured it doesn't matter. An index such as the new assurance index in the GRI G4 guidelines would be useful in demonstrating clearly to stakeholders which parts have been assured.

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?*

It is very esoteric at the moment. Its quite long winded in language and a struggle to read the whole thing through. Neither of these things will be helpful to organisations who are trying to implement the framework. IIRC need to give some thought quickly to how companies turn this strategic document into practical action - organisations need guidance and for connections to be made to other things. People need to understand what this report is for in order to ensure it doesn't just become more of a burden. This strikes me as the strategic front end to what many companies are doing in their sustainability reporting. By not talking about this in the context of lots of sustainability reporting that is already taking place is creating a big elephant in the room.

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?*

Capitals
The Business model
Determining materiality

Other

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

I have serious doubts about the ability of many organisations such as SMEs to be able to deliver this in its current conceptual state. Needs definition!

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