

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.

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Stakeholder group:	<input type="text" value="Report preparers"/>

If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text"/>
Industry sector:	<input type="text" value="please select"/>
Geographical region:	<input type="text" value="please select"/>

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.

Since <IR> seeks to integrate information that is traditionally separated into two main documents - a company's annual financial report and its sustainability report - it's reasonable to expect that the people charged with developing these reports may not have experience in both disciplines. Therefore it would be helpful, especially for sustainability practitioners, if the Framework highlighted which of its Content Elements and Guiding Principles go beyond discussions of strategy and risk/opportunity already traditionally covered in mandatory financial filings, such as the Form 10-K in the U.S.

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.*

Generally the principles seem sound. However, it's easy see how the wide latitude afforded by the Framework could make the principle of Comparability difficult. For the investor audience, comparability is arguably among the most important principles.

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?*

It's difficult to envision how an integrated report that satisfies the principle of completeness would not duplicate information contained the company's sustainability report, especially if the sustainability report follows GRI guidelines. For that matter, I'm not sure why a company would go through the time and expense of producing both. The integrated report seems much like a well-executed sustainability report minus some of the anecdotal information.

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
SASB
UN Global Compact

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?*

The discussion of the six capitals seems to be an opportunity to enhance the comparability of integrated reports. However, the Framework explicitly states that the specific categorizations do not need to be adopted to be in accordance with the Framework. This seems to be a lost opportunity.

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

Consider adding a 7th category of capital - Associative Capital - the value creation or depletion that comes from the actions (or inaction) of other companies, particularly competitors. This can have a positive effect, as in the glow that comes with being in an industry that is viewed favorably, or a negative effect as in when the actions of a competitor or supplier tarnishes a whole industry. The negative actions of a competitor can provide opportunities for a savvy company to speak out or make proactive changes that help that company distinguish itself. While one could argue that this is covered as part of reputation, associative capital is not under the control of the reporting organization, yet it can still be leveraged. Additionally, I would argue that brand and reputation are separate and, while the reference to brand is rightfully included as an Intellectual Capital, reputation should instead be part of Social and Relationship capital.

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?*

There could be more guidance on Outputs, particularly on the discussion of how they are managed and what role they play in the overall value chain and how that impacts risk and opportunity.

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?*

While I agree with this definition, I'm not sure that outcomes are part of the business model or on a different plane more closely associated with risk and opportunity and performance.

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)?*

One example of manufactured capital that seems glaringly absent is the Internet. It might be helpful to highlight this for reporters, as it is as important - and in many cases more important - to modern business than the other infrastructures listed.

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?*

The connection between materiality and stakeholder input needs to be made stronger. Acknowledging that stakeholder responsiveness is covered in 3C, paragraph 3.23 of section 3D may give the impression that senior management and the governing body are determining materiality in a vacuum, albeit an educated one. Otherwise, magnitude of effect may be too narrowly perceived.

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?

The description in the Framework seems sound. The "balance" section may be a bit unrealistic in terms of expecting companies not to present information in a favorable light. Also, the first bullet under 3.34 regarding the selection of presentation formats is too vague to be useful.

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

3.39 - This seems to imply that companies are expected to disclose that they do not have adequate systems in place for capturing information on material matters, something companies may not be willing to do for legitimate competitive reasons.

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).*

Without specific indicators, I'm not convinced that the content elements will yield reports that are comparable across companies.

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 - especially based on the premise that the six capitals may all play a material role in the company's value creation on which investors will presumably rely.

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?

Assuring specific aspects would be best, primarily those disclosures that are quantitative. Assuring the report as a whole may be cost prohibitive and subject to too much subjectivity while providing the appearance of objectivity.

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?*

The <IR> Framework is an excellent conceptual template. I think it would be beneficial to make direct references to other frameworks that set forth specific indicators and demonstrate how those indicators can be used to help report in accordance to the <IR> Framework. Without this connection, I believe uptake will continue to be slow and incremental and limited primarily to companies with sophisticated sustainability programs already in place.

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?*

1. How the content of an <IR> report relates directly to already established guidelines and specific indicators, such as those found in GRI and in statutory reporting requirements. Without this, I believe it will be difficult to break the mold that companies have cast for themselves around "non-financial" reporting.
2. A how-to guide that sets forth steps that companies can take in adopting the Framework.
3. Candid case studies from reporters that have applied the Framework, including what hurdles they faced and how these hurdles were overcome.

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