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: | Non-government organization

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

Organization name: | Institute for CSR Innovation

Industry sector: | Not applicable

Geographical region: | Asia

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.

In order to challenge against short-term thinking, incorporating non financial issues, integrated reporting can be a good tool. However, if the framework is published at a premature level, it may cause confusion to corporate reporting world. There are already wide spread misunderstanding on Integrated reporting concept.
Through this consultation process, well defined, much clearer and more usable framework needs to be published.

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 unavailability of reliable data" should be eliminated.
Since any specific date are not required in the draft, "the unavailability of reliable data" is no good reason.

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?*

No.
Financial statements and sustainability reports have already established and provide values for report users. Integrated reporting is a late comer and should avoid any duplication against other existing reports and focus only on their unique reporting values. Therefore the sentence should be " organizations may provide integrated reports in addition to the existing reports and communications (e.g.,financial statements and sustainability reports), if it has additional relevant values.

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?*

If IIRC uses existing references, it implies that integrated reporting tends to be duplication and accumulation of other reporting standards. Before doing so, IIRC should provide unique indicators or measurement methods.

Other

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

Clear guidance should be given how people can tell "the frame work is applied or not", but not by assurance.

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?*

No.
2.19 "The Framework does not require that the categories identified above be adopted by all organizations." gives greater flexibility of selection and definition of capitals. Reporters may used different sets of capitals than listed 6 capitals. In such case the sentence 4.5 is useless.

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

This documents needs to clarify in which capital energy (including electricity) is allocated as examples. They can be understood as natural capital or manufactured 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?*

No.
The word "Business model" has established definition and is frequently used in corporate reporting. If this framework introduces a new definition, it would cause confusion for both reporters and users. The framework should introduce a new word meaning this.

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?*

> No.
> This rather vague definition leads reporters to report mainly focusing "positive" or "internal" outcomes, then such report would not fulfill the aim of integrated reporting. Therefore, the definition clearly identifies, internal-positive, internal-negative, external-positive, and external negative.
>
> Clarification between Output and Outcome need to be done as mentioned in the next box.

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)?*

> Not all "Outcome" are result of "Output".
> Figure 3 is misleading.
> With this framework concept, Output is a kind of intermediary products for Outcome or business activities. Or it is just a part of Outcome. The concept of Output can be eliminated.

Other

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

> Ownership of the capitals need to be more clarified. Considering value creation, internal and external capitals need to be clearly divided both in Input and Outcome.
>
> The integrated report should be able to clarify that the organization use what kind of internal and external capitals as Inputs and provide what kind of internal and external capitals as Outcomes.

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?*

> No.
> This definition focuses only on positive side of value, by using the phrase "value creation". Any business activity may damage the existing values and decrease the total value. Materiality determination process needs to incorporate positive and negative impact for internal and external values.

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

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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?*

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Normal assurance processes would not help to enhance credibility. To disclose details of materiality determination
process is required,
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14. *Please provide any other comments you have about Section 3E.*

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Other

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

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Principle "Comparability" should be eliminated. With this very vague principle-based framework, the word
"comparability" is inappropriate and misleading. If this framework needs this kind of concept, another word should
be used.
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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 style of "An integrated report should answer the question:" enhances unclarity of the framework.
"An integrated report should describe:" is a more appropriate style.

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.
The statement itself shows the attitude to the report. Rather, the framework should require who has the responsibility of the report and how it is prepared and approved.

If it requires the involvement, accompanied legal obligation should be clearly described.

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?*

> If assurance is to be obtained, it should cover the integrated report as a whole. Assuring part of the report does not mean anything, if this is the real integrated report.
>
> However, assurance is not relevant for integrated reporting at least for a moment. According to the aim of integrated reporting, realization of value creation described in the reported is much more important. Credibility is only enhanced by the real Outcome generated by the organization in short, mid and long term, not by assurance of the report.

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?*

First of all, important thing is "integrated thinking" rather than "reporting" now. Focusing on reporting is really mislead the reporters and other parties. There are so many "combined report" named as integrated report.

Recommendations:
1) Publish "guidance for integrated thinking" before "reporting framework"
2) Clarify the definition "an integrated report in accordance with the IIRC framework" and "(so-called) an integrated report (or combined report) not in accordance with the IIRC 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?*

As mentioned above, to publish "guidance for integrated thinking" before "reporting framework" is recommended.

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