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:	Other

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

Organization name:	Douglas Hileman Consulting LLC
Industry sector:	Not applicable
Geographical region:	North America

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.

The proliferation of reporting frameworks for financial and non-financial information is placing a greater burden on reporting entities. Ironically, the increase in reporting has resulted in a deluge of data and information that has made analysis more difficult. The goal of consolidated or integrated reporting is a noble one.

The International Integrated Reporting Commission's framework, in this exposure draft (ED), is obviously the result of considerable effort on the part of stakeholders with different points of view. There are aspects of the ED that provide useful food for thought. This commenter notes that there are also aspects that are not yet fully formed, such that the current ED could be: used to prepare comprehensive, concise reports; assured; used by the target user group; uniquely helpful to stakeholders interested in value impact of non-financial capitals; or used by analysts to compare organizations. The comments offered herein are for consideration as the Commission contemplates the practicality of achieving its goal, and how that might be accomplished.

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.*

No comment.

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?*

Paragraphs 1.18 to 1.20 simplify interaction with other reports. If no other reports are displaced, then the ED results in another report, increasing the burden on reporting organizations.

This commenter offers that reporting and communications can be considered in one of these categories:

1) Existing external reporting and disclosure [public]

• Financial reporting, per U.S. Securities & Exchange Commission (SEC) (and other agency) rules

• Financial disclosures (Management Discussion & Analysis) as it relates to matters material to investors)

• Sustainability reports: GRI, CDP, etc.

2) Existing reporting and disclosure, not publicly disclosed

• Sustainability reports not disclosed: Other sustainability evaluations (SAI, Responsible Care) consultancies,

• Enterprise risk management

• Management reporting

3) Existing reporting and disclosure, targeted external disclosure

• Standards, expectations of business partners (supply chain)

• Financial, non-financial disclosures to insurance carriers

• Financial, non-financial disclosures to industry associations

4) New reporting or disclosure, not yet developed or standardized

• Business strategy

• Forward looking reports

• Research & development priorities, progress

• Organizational DNA

Some of these reports are already prepared & disclosed publicly. Other reports are prepared, but disclosed selectively. Still other reports are intentionally kept internal. Other data and information is not now compiled.

Furthermore, there are many reports in each category.

Linkage with other reports will be more complicated than the ED suggests. Furthermore, these reports are prepared to meet the needs and expectations of specific stakeholders. Consolidation into integrated reporting may not fulfill their needs.

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 reporting frameworks already include rosters of performance metrics, Global Reporting Initiative (GRI) and Carbon Disclosure Project (CDP) among them.

• Materiality (discussed in Section 3) is fundamentally different for financial and non-financial stakeholders. Materiality for financial investors has some comparative metrics (comparisons to revenues, earnings, cash, other items in income statement or balance sheet) and criteria

• Traditional non-financial reporting has been driven by regulations or stakeholder expectations that require exact reporting (water use, waste generation, number of injuries).

• Metrics are out there; should it be IIRC's role to compile an inventory, recommend metrics (if so, for what sectors or companies)? This commenter believes that should be left to others who have well-developed frameworks.

Also, the problem remains of topics for [narrative] disclosure. Many items included in the ED are narrative; although not amenable to metrics, should topics be listed? Should it be IIRC's role to identify or enable them, or to describe a process whereby sectors & companies would disclose how they do this? Similarly, the commenter notes that GRI provides many topics for narrative in a platform that is amenable to inter-organizational comparisons.

Unless IIRC can offer something unique and compelling, this should be deferred to other groups.

Other

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

Chapter 1 discusses continuous [integrated] reporting. Many of reports described above are predictable and cyclical (e.g., annual or quarterly), or event-driven (unexpected development, market/ external factor). It is not clear how the goal of continuous reporting would relate to the drivers and timing of reports already generated that include much of the data and information desired in the ED. Assurance practices are more robust for financial reporting than for non-financial reporting and disclosures. Continuous reporting would pose challenges for assurance. The ED makes some statements that are not widely supported by facts or references. These statements are largely in favor of the concept of integrated reporting. Section 1.16 is one such example ("integrated thinking leads to integrated decision-making and actions that consider the creation of value over time…"). This is not universally the case. As a global framework, the ED should enable readers to make informed decisions on their own. Statements unsupported by fact or reference should be removed - here and throughout the ED.

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 GRI framework (Economic, Environmental, Labor Practices/ Decent Work, Human Rights, Society, Product Responsibility] are another model. There is some alignment; could there be better alignment with existing frameworks? Manufactured Capital (2.17): The category includes items that are reasonably within the ability, control, or duty to affect and maintain (buildings, equipment) - and infrastructure, where the organization has much less responsibilities. GRI includes a parameter for reporting tax incentives and other assistance received from government entities. This ED does not provide transparency for an organization that creates (positive) economic value at the expense of (publicly-funded) infrastructure. Differentiation between the two would be helpful. This is another instance where reporting on all 6 capitals would be helpful; government officials and the public in the region of a facility have a different view of Materiality than would arise in the consolidated entity. Human Capital: This seems to imply in-house human capital only. Contracted workers and supply chain make up a substantial part of value impact to all capitals (financial capital and otherwise). It's not until section much later that the ED addresses reporting boundaries; but the organization's actions affect human capital internally and externally.

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

Capitals and consistency (2.21): If organizations are not required to adopt the same framework for capitals, this is likely to lead to inconsistent basis for reporting and disclosures. This will hinder the ability for meaningful comparative analysis. One advantage of extensive, organized framework (GRI, for example) is that it enhances comparability.

Disclosures: ALL capitals and Value "creation" (2.22): This paragraph implies disclosures relative to all six capitals. Dimunition of non-financial capitals can affect an organization's ability to increase financial value over time; for financial investors only, this is covered in regulatory requirements and guidance (SEC and similar worldwide) for disclosures in Management Discussion & Analysis. This framework, or similar in International Financial Reporting Standards, could be adopted in their entirety. However, negative impact on non-financial capitals is of keen interest to other groups of stakeholders. Consider Company X, which is planning on purchasing large numbers of family-owned farms in a developing country to grow crops for biofuels, which are to be exported to developed countries. Company strategies and actions can have considerable impact on natural capital and human capital, to name two. Furthermore, the materiality of these impacts will be very different for some stakeholders (local population, regulators, social NGOs) than it will be for others (financial investors). This is another section where the ED is not sufficiently clear or consistent on applicability to stakeholders interested only in financial capital or all six capitals.

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?

Inputs are reasonable; some are covered in other reporting frameworks.

As written, these parameters invite more disclosure (narrative) than reporting (data). They will be difficult to audit. [examples: morale, motivation, and diversity of employees.]

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?

Two aspects here do not carry consistently throughout the report:

• Reporting on capital(s) [singular or plural]

• Value "creation" as being positive or negative, and language throughout allowing for both.

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.

Value creation calls for reporting of matters that are currently subject to internal management reporting (2.37, bullet 4).

Section 2.38 postulates that “other stakeholders are also likely to benefit from the information in an integrated report.” This may not be the case, due to lack of reporting and disclosures on value impact for non-financial capitals, and differing concepts of materiality for stakeholders who are interested in value impact to non-financial capitals.

The ED acknowledges that Value Creation can be positive or negative (section 2.13). Where reporting and disclosures are discussed in more detail, however, the implication is that it is only positive. The convention of considering “reporting” as involving metrics and “disclosures” as being narrative is useful. The term “value impact reporting and disclosure” is probably a more correct term.

Figures 2 and 3 are reasonable representations of how an organization takes various capitals, performs business activities, and affects those capitals.

• The business model as shown includes programs and activities common to all organizations.

• Some items align with COSO Enterprise Risk Management framework (strategy is a category of risk; opportunities and risks generically applies to ERM activities

• “Performance” is measured via many mechanisms of internal management reporting.

• Business activities are managed via several frameworks, including ISO management systems frameworks.

• The organization affects all six capitals, the financial capital and five non-financial capitals.

Comments on the Business Model :

• They integrate pieces of other [existing] frameworks – but not all of any one, and without expressly referencing widely-adopted frameworks.

• Many of these activities are not disclosed publicly, for business, strategic, or legal reasons.

• These activities may differ considerably for an organization in different business sectors. Consider an aircraft maker with a financing business.

Comments on Overall Representation of Figures 2 and 3:

The ED indicates that primary users of Integrated Reports are interested in affect on financial capital [only]. Figures 2 and 3 imply that there is reporting on the impact to value of the 5 non-financial capitals as well. This is implied in some areas of the text (Sections 2.22, 2.29, 2.35, 2.37, and 2.38 among them) as well.

• There are users interested in value impact and reporting for non-financial capitals. As currently structured, these stakeholders will not get information they need from an Integrated Report. They must continue to get information from other frameworks (GRI, CDP, etc.); this undercuts the desired advantage of consolidating reporting requirements and removing burden to the reporting entity.

• If the intended users are [only] those interested in value impact and reporting to financial capital, then current requirements from SEC and other organizations are reasonably consistent with guidance for MD&A for non-financial issues. The ED calls consistently for greater transparency of the business model. As noted above, much of this is currently not publicly disclosed for a range of reasons, including contractual limitations, litigation avoidance, or protection of intellectual property.

These incongruities illustrate difficulties that would be encountered in preparing a truly integrated report, and in providing assurance thereof. These issues warrant further consideration.

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?

ED's concept of materiality defers to TCWG to determine the substantive influence on primary intended report users [those interested in creation of value [in financial capital]]. SEC and other regulatory frameworks already provide guidance on how this is to be evaluated, and how data is to be reported or information disclosed. The determining factor is whether the matter could influence a reasonable person making an investment decision. Materiality is in the eye of the user, not the generator of the information. TCWG have the responsibility of determining what is material to the users. This concept is applied in other reporting and disclosure frameworks as well. For example, the U.S. Federal Trade Commission's (FTC) Green Guides outline criteria for marketing claims on products. The FTC's concept of materiality is a factor that would influence a reasonable consumer to make a preferential purchasing decision of one product over another. Materiality is in the eye of the user, and it is the obligation of the marketing (reporting) entity to determine materiality and to act accordingly. The concept of materiality should be changed such that materiality is in the eyes of the users, and TCWG are responsible for evaluating material issues and reporting accordingly. Limited to financial reporting and disclosures only, this is similar to guidance provided by SEC. If applied to value impact reporting and disclosures of non-financial capitals, then materiality would apply very differently.

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

No additional comments.

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?

External users of information often seek external assurance of the reporting entity. This concept is widely adopted in reporting and disclosure frameworks. Regulations, accounting rules, and professional guidelines provide robust regulations and frameworks for independence. Independence is not as well-developed or broadly implemented for non-financial reporting frameworks; there are few regulations or enforcement consequences driving this.

External assurance can help with reliability, but it is the last of several elements that must be in place for reliability, including clear standards/ criteria, systems, and controls. Without these factors, assurance (the fourth line of defense) is not possible. Nor is a robust internal audit or management audits.

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

In determining reliability and completeness (Section 3.31) Internal Audit is not mentioned. Internal Audit fulfills a critical role in governance, risk management, and compliance. The Institute of Internal Auditor's 3 Lines of Defense model is an excellent resource. The model describes first line of defense (operations), second lines (management and internal oversight, such as environmental or supply chain auditors). External assurance is the 4th line of defense.

The ED includes several sections on costs and benefits (3.38 through 3.41). While the statements are true enough, they do not provide meaningful guidance or insights for reporting organizations or users. SEC guidance on disclosure of material matters in MD&A does not take the cost of generating supporting information into account; the ED should not allow or imply the obligation to disclose issues relative to decisions on financial capital is any less.

Another factor missing in the discussion of costs, benefits, and reliability in general is TCWG (often the Board of Directors). The Board's duty includes monitoring of financial reporting. They should have a role and clear responsibilities for external reporting and disclosure of anything contained in an integrated report - for value impact reporting or disclosures of affects on any or all of the capitals as defined.

Other

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

Section 3.2 is similar to internal management reporting.

Sections 3.3 and 3.4 incorporate principles of ERM.

Companies do not disclose this publicly, for various reasons unlikely to change soon [litigation, strategic].

The explanation of drivers between integrated thinking and integrated reporting (Section 3.9) is circular logic. If external reporting is for parties considering financial capital only, this is substantially equivalent to ERM. If external reporting is for parties considering value impact on non-financial reporting, this statement is a noble goal; however, the target users are for financial capital only.

Disclosure and reporting of business strategy will be done with caution (Section 3.10 and elsewhere). It would have made little sense for Chrysler to broadcast their introduction of the mini-van, Disney's purchase of property in Orlando for a new amusement park, or Apple's intentions for the iPhone. If the fictitious Company X's disclosed their plans to purchase cropland, stakeholders with control of other capitals have advance notice to thwart the company's strategy. The disclosure of the matters that are the most material are the very ones that should be protected the most. Companies may be inclined to disclose things that are less material, leading to disappointment for financial analysts and others with high hopes for integrated reporting.

Other frameworks (GRI, CDP among them) have more developed frameworks for reporting and disclosure parameters (Section 3.11). In order to provide reduced burden on reporting entities for multiple reports, the ED should reference or adopt suitable frameworks. As written, this does not provide relief to reporting entities or users.

Consistency is desired (Section 3.11) by analysts (financial and otherwise). However, consistency is not always possible. Even mature accounting frameworks have different rules and conventions for financial reporting on matters as basic as revenues and liabilities (U.S. GAAP and IFRS). Organizations prepare and submit reports using both frameworks. Migration of all financial reporting frameworks towards IFRS is over a decade in the making. By contrast, non-financial reporting at 15 or 20 years, is still in its infancy. Migrating these towards a consistent framework will be a similar challenge.

Stakeholder responsiveness (Section 3C, Section 3.13) is another example where more clarity on the intentionality of the ED for stakeholders interested in financial and non-financial capitals would be helpful. Users solely interested in value impact on financial capital are interested in the organization's use of six capitals to create [positive] financial value. It does not involve external reporting or disclosure of value impact on non-financial capitals, except to the extent that the impact on these capitals could adversely affect the organization's ability to create [positive] financial value. This equates to enterprise risk management (ERM). There are frameworks for ERM, including COSO and ISO 31000, that have been published and are used by global organizations. Detailed external reporting on this is not common, and (in the author's view) unlikely. Responsiveness would be helpful to stakeholders interested in value impact on non-financial capitals. It is here where information is most lacking, but this is not contemplated for "integrated reporting" – again, an illustration of the misnomer for this exercise. The author also notes that current financial reporting and disclosure frameworks provide robust financial data and information. There are also robust systems for feedback from users of this information; sales of equity result in changes in stock prices in minutes. There is no such framework for external reporting or disclosures of value impact on non-financial capitals, nor are there robust feedback mechanisms to the organizations to cause this impact. It is for non-financial capitals that the concept of integrated reporting is most lacking and most needed.

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 likely to be the focus of groups or individuals within reporting organizations who have responsibility for compiling data and information that will ultimately be included in a report. Therefore, this section should provide clear, concise guidance to reporting organizations.

ED says report should disclose material trade-offs that influence value creation (4.5). If there is adverse impact to non-financial capitals in order to create (positive) value in financial capital, transparency is unlikely. ("We considered paying higher wages/ providing more training to create human capital value, but we made the trade-off b/c we didn't think it would translate into higher profitability."

Topics in Chapter 4 include topics for which performance metrics are likely to be difficult to create, and even more unlikely to be consistent across different companies or different sectors. Existing reporting frameworks offer more fully-developed reporting frameworks that are more amenable to comparative analysis, and assurance.

The list of topics suggested ("such as…." In Section 4.11) for an integrated report suggests that this list is not complete. This will render comparability or assurance difficult, if not impossible. The factors included in Section 4.11 include some that align with Enterprise Risk Management ("tone at the top" and attitude towards risk). Section 4.13 again echoes Enterprise Risk Management. External reporting and disclosure of parts of ERM program would impose new burdens on reporting organizations [e.g., how to segregate systems and controls for what is reported and what is not]. Complete transparency of ERM programs is unlikely – and inadvisable – for a number of reasons, including strategic, legal, and competitive.

Section 4.22 refers to key inputs and their relationship to capitals [plural] from which they are derived, as well as key outcomes in terms of the capitals [both plural]. This would be more consistent with the concept of integrated reporting, but it does not match the intended audience as stated in Section 1.6, nor does it match the guidance provided throughout the ED.

Sections 4.24 and 4.25 mention different business models. They do not suggest or offer the concept of scalability of integrated reports. There are many organizations with multiple business models and [internal] management and financial reporting structures. Consider a global company with food and beverage businesses. Or a vehicle manufacturer with a full line of trucks and cars, including hybrids and hydrogen cell-powered vehicles. Or a global retailer of apparel and footwear. These organizations already have [internal] management reporting frameworks to enhance management by business segment, product, region, and facility. The organization uses and impacts the value of all six capitals at all of these levels. Materiality applies differently at different reporting boundaries. Other management and reporting frameworks allow for scalability in reporting. This could be useful for integrated reporting.

Section 4.29 is a good example of connecting activities for non-financial capital to an expected change in financial capital. Can the value impact on human capital be measured? If so, should it be included in an integrated report? GRI has parameters that are well-suited to this, such as total time & resources invested in training. Consider (again!) how differently reports look when "materiality" is applied - and who determines what that is.

Section 4.34 includes many aspects of enterprise risk management. Internal Audit is an invaluable, and often under-appreciated resource in governance and risk management.

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?*

This may be helpful with regulatory requirements and other legal drivers, or when the ED has evolved with more clarity on expectations. This would enable TCWG to better understand what they are responsible for.

This commenter also notes that responsibility does not always match with authority, resources, oversight, and other attention. This is another example where COSO Internal Control Framework (Control Environment) and Enterprise Risk Frameworks are suitable models. A statement of this- type could be helpful. It could also be misleading without robust controls and risk management frameworks.

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

No additional comments.

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?*

Users are less likely to rely on a report if it has not been subject to assurance. As noted elsewhere, assurance is a "fourth line of defense", building upon robust systems and controls for operations, management control and oversight, and internal audit. These elements are not sufficiently developed for all guiding principles, control elements, or aspects of non-financial capitals at this time. Ideally, the entirety of an integrated report [indeed, any data or information disclosed externally] should be subject to assurance. This is neither practical nor possible at this time. A feasible approach would to require disclosure of portions of an integrated report that have been subject to assurance, the type of assurance, and the criteria applied for assurance. This is likely to differ for areas subject to assurance – notably for financial reporting and non-financial reporting. This poses the dilemma for reporting entities that they must continue to procure (and fund) multiple assurance engagements – and to respond to issues raised by multiple assurance entities. This undermines a fundamental goal of integrated reporting.

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 only mention of Internal Audit function is in Section 5.19. The Institute of Internal Auditors (www.theiia.org) is a professional organization with more than 180,000 members in over 100 countries. The IIA publishes an International Professional Practices Framework and maintains a Common Body of Knowledge. These frameworks describe how Internal Audit helps credibility of the organization's compliance, operations, external reporting and business strategy – familiar themes in the ED.

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).

Section 5.7 acknowledges that professional subjective judgment will be a factor in assessing importance of matters. This commenter suggests that the extent and usefulness of professional subjective judgment in risk management is not widely understood by many analysts, and possibly under-appreciated. Professional judgment by experienced auditors is useful; it is also difficult to describe.

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?

As this commenter has noted throughout, there are several issues that warrant consideration, exploration, and clarification for future iterations of an Integrated Reporting Framework.

• Creation of value should be discussed throughout the framework in a more neutral fashion, allowing for positive or negative influences. The difference between data and narrative should be emphasized, by using terms "reporting" and "disclosure", respectively. "Value impact reporting and disclosures" would be a more neutral and correct term for the activity described in the ED.

• Users of an integrated report are either those interested in value impact on financial capital [only] or all six capitals. The concepts, principles, content, and assurance all depend upon clear and consistent presentation of this throughout the ED. This distinction also affects how the concept is conveyed. Integrated reporting implies the consideration of financial and non-financial capitals, and reporting on the impact to financial and non-financial capitals. If the end users are those interested in non-financial capital only, then "financial reporting and disclosures of integrated management" is a more accurate (if cumbersome) phrase. In principle, it is the equivalent of external reporting and disclosures of enterprise risk management.

• Materiality is a concept that likely applies differently for financial and non-financial capitals. Materiality for financial reporting is fairly well-defined. Materiality for non-financial capitals is not.

• Consolidation of reporting and disclosure requirements should be a goal for integrated reporting if it is to provide benefit to report preparers or analysts. The ED does not provide meaningful illustration of how existing reporting and disclosure requirements will be consolidated, simplified, or eliminated if integrated reporting were adopted.

• Existing frameworks: The ED includes concepts and terms that are similar to those used in other common, globally accepted frameworks. Frameworks such as IFRS, U.S. GAAP, Global Reporting Initiative, Carbon Disclosure Project, COSO Enterprise Risk Management framework, ISO management systems, and others have arisen to meet needs of stakeholders. These frameworks have achieved sufficient credibility and acceptance such that it may be useful to consider reference or adoption in their entirety.

If the IIRF does not provide distinctive, compelling value (by reducing effort for multiple other reporting and disclosure requirements, or providing simpler means of comparative analysis), it could be worth reconsidering the mission of the IIRC or the goals of the Framework. Indeed, if the Commission realizes that noble goals are fundamentally impossible because of inherently contradictory bases (for example, views of materiality by those interested in value impact on financial and non-financial capital), then the IIRC may wish to consider revising its mission. Information that is most lacking in the current realm of reporting and disclosures is value impact reporting and disclosures for non-financial capitals, and the availability of this information on a scalable basis (regional, business unit, or product).

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?

Reporting and disclosures on value impact to non-financial capitals

Consolidation process for reporting and disclosures

Materiality for financial and non-financial capitals

Other

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

Section 5.2 says that frequency of reporting should be a “continuous process.” SEC’s guidance on disclosure of material issues addresses this in and between standard reporting periods. Applying this to non-financial capitals (and using materiality concepts) is likely to be more problematic. Organizations have continuous systems for managing non-financial capitals (such as management systems).