

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.*

1. Make integrated reporting mandatory even if at a future date and currently consider adopting the "Report of Explain Principle".

Evidence from those organisations that have adopted sustainability reporting including national governments

shows that this form of reporting impacts positively on their competitiveness, thus their sustainability.

2. Consider inclusion of Public Sector in finalising this framework

The public sector is key in creating an enabling business environment for private sector to operate. National governments which have adopted sustainability reporting like Sweden have a strong institutional framework, high degree of efficiency, trust, transparency and ethical behavior, stable macro economic environment, balanced budget and manageable public debt levels thus creating a conducive business environment and enhancing national competitiveness. With increased interdependencies and interconnectedness of public and private sectors for instance the Public Private Partnerships a common approach to reporting is more ideal for both sectors.

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?*

YES.

This is important since the report should not be overloaded with information that is already in other sections of the report or other reports thus avoiding duplication in reporting and making the report shorter and reader friendly.

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?*

World Bank, IFAC, SASB, INTOSAI, ISO, UN, OECD, EU, ACCA, GRI, Research and Academic Institutions

Other

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

1. Both public and private sectors are competing for scarce public resources like water, energy and natural resources hence common approach to reporting is more appropriate.

2. Some of the hindrance to success of business are due to lack of legislation and national policies that are supportive to their operations thus involvement of public sector in integrated reporting would be a catalyst towards enacting suitable legislation to support businesses and the wider citizens group.

3. Integrated planning, budgeting and reporting for public entities like municipalities,

local government, counties etc will be enhanced through integrated reporting.

4. UN high level panel recommendation for Post 2015 Sustainable Development Agenda after the Millenium Development Goals period expires is for sustainable/ integrated reporting for both national governments and businesses

5. Political will and good public management are key to sustainable competitiveness, hence integrated reporting for both sectors is ideal

6. Most national governments globally have adopted a sustainability development strategy and integrated reporting would be a vehicle towards achieving this. For instance Sweden has legislation mandating state owned enterprises to produce sustainability reports and this may be contributing to the efficiency of their institutions.

7. Integrated reporting will promote accountability, transparency and good governance of public entities thus enabling integrated planning and reporting

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

It is possible that one form of capital may not be considered material in the short term but in the medium and long term could become material depending on the business model and strategy of the organisation in the medium and long term. Also changing circumstances in the business environment could make what was not material become material requiring even a change in the business model. For instance lessons from the global crisis where organisations were forced to change their business models due to prevailing conditions in the world market.

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

Consider adopting " Report or Explain Principle"

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

Business Model is the vehicle for value creation in an organisation in the short, medium and long term.

Consideration of short, medium and long term is key given that business models can be

changed if circumstances in the market or regulation dictate the change in necessary.

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

It is important that this includes the positive and negative impacts

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 various stakeholders and users of reports from recent studies and surveys have shown that they require more disclosures of both financial and non-financial information to give them a better view of the organisation's performance in the future hence enabling them make investment decisions.

Other

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

Consider a Sustainable Performance Framework and tools like the Sustainability Balanced Score card to enable measurement of performance on sustainability.

Canada which has adopted sustainability reporting in public sector has highly efficient markets (labour, good, financial) and excellent infrastructure but lags behind in quality of research and government role in promoting innovation through procurement practices. Thus being able to measure sustainability performance enables the review of the business model and strategy as necessary in the changing market conditions.

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

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

Items or issues considered material should be approved by Those Charged With Governance (TCWG), hence have a check on any information that is deemed to be sensitive and could hamper the competitive advantage of the organisation if disclosed in the IR.

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?*

1. External Assurance
2. Approval by TCWG
3. Appropriate Stakeholder Engagement
4. Robust internal reporting systems including internal audit, audit committees etc
5. Compliance assessments /certification for instance by regulators

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

1. Consistency with findings in other reviews like tax reviews and other reports issued by the organisation

Other

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

NONE

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).*

NONE

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

For TCWG to take responsibility and ownership of the report and for them to approve inclusion of all material information which could affect the competitive advantage of the organisation, thus approve the level of disclosure and wording etc.

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

1. They need to be involved in the whole process of preparation of the integrated reporting from planning to final report preparation and issuance
2. TCWG need to have good understanding of the business and the risks the organisation faces

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?

Assurance should cover the whole report. However, where the scope of the reporting is limited to only certain areas then the assurance should be only for those areas which also form the basis 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.

NONE

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).

NONE

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 is appropriate for use by organisations in preparing integrated reports subject to consideration of the public sector given the relationship between the public and private sectors in their operations.

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. Public Sector
2. Regulatory framework and national policies that promote IR
3. Involvement of Academic institutions and Business Schools to enable closing the existing gap in reporting through further training

Other

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

Consider findings from the Global Competitiveness Report especially in areas where information is lacking and see how IR can facilitate such vital information to be maintained. These include:

1. Inclusion of minorities which can cause political instability
2. Working conditions - safety, remuneration etc
3. Water pollution - data on water usage, availability and quality not available yet is crucial especially for water intensive industries and given the scarcity of the resource and the competing needs from industries and domestic use.
4. Recycling - reuse of material to enable measuring of resource availability or determine scarcity
5. Waste management - to identify what is recyclable and dispose dangerous substances which can be harmful to the health of the population