

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.*

The principle "strategic focus and future-orientation" should be omitted. Future-orientation is a very important factor to consider regarding the relevance of the information provided, but methodically it is not correct to have future-orientation as a reporting principle, as it does not refer to all contents. Instead, an integrated report is also supposed to provide information on the present the and past and to connect these time dimensions. Similarly, the principle of future-orientation has also been cancelled during the development of the IFRS Practice Statement Management Commentary.

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?*

We generally agree with the suggested interaction. But more emphasis should be put on the fact that the connected reports are supposed to contain more extended and more detailed information to contrast it with the concise and material character of the integrated report.

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?*

The following contents should be included:
1) Examples of the measurement of the six capitals;
2) Examples of connections between indicators.

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?*

We generally agree with the approach. But the fact that the categorization is not required to be adopted by all organizations may unnecessarily mitigate the degree of comparability between companies/reports that is also required by the framework (par. 1.14).

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?*

We generally agree with the definition. But the differences as well as the connections between an organization's business model and its strategy should be worked out more clearly (as announced in the background paper on the business model (figure 4, p. 5)). These two terms are often mixed up in reporting practice.

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?*

We agree with the definition. It provides a good connection between the concepts of business model and capitals. In addition, it emphasizes a broader picture of "results" than the one used in traditional reporting (by including the concept of capitals).

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 relationship between the business model and other parts of the integrated report should be worked out more clearly, e.g. the relationship with strategy (see also question 7) or the relationship with the operating context of the organization. Guidance, in the form of examples in the framework or linked with it, would be helpful, here.

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?*

We agree with the approach. Providers of financial capital are the most essential stakeholders for an organization to exist (in many cases they are also the owners). Therefore it is reasonable to address them as the primary report users. It is logical to also base the materiality definition on primary users' decision-making.

Furthermore, this issue (the relationship between primary users of the report and materiality) has been worked out comprehensively in the background paper on materiality, already.

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?

If an integrated report is supposed to be the central element of an organization's reporting, independent external assurance is inevitable. Otherwise the report cannot be seen as sufficiently reliable compared to other (e.g. audited) reports. The German Lagebericht, which is object to mandatory audit, should be seen as an example, here. The appropriate level of assurance (review, audit,...), however, needs to be discussed.

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.

The "connectivity of information" principle as both one of the main innovations and a substantial pillar of the <IR> concept needs further guidance. The release of a background paper (as announced in the IIRC Draft Framework Outline, p. 11) and a closer connection with examples (e.g. from the examples database) would be helpful, here.

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).*

Some content elements seem to overlap to a certain extent (e.g. business model and organizational overview, performance and future outlook, opportunities/risks and future outlook). As they are not supposed to serve as a standard structure for the report, and as their information is to be presented in a connected manner (par. 4.2), this does not seem to be problematic. Nevertheless, many users will probably use the structure of the framework as an orientation when preparing their first integrated report(s). Thus, the content elements will effectively end up being an example of a structure for integrated reports. Therefore a more proper distinction between the elements should be elaborated.

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?*

There should be such a statement. By documenting their responsibility for the report, it also emphasizes their responsibility for managing the organization. This is in line with the thought of integrated thinking, which stands for a close connection of managing and reporting. However, particular care is needed for guidance concerning the wording of the respective statement. Conflicts with existing national regulations might arise, here.

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 <IR> also stands for a reduction of complexity in reporting, it seems useful to have assurance provided for the whole report. A distinction between different parts would create unnecessary complexity. Even though there might be problems with providing assurance for integrated reports (e.g. due to the non-financial nature of many pieces of information included or due to the extended reporting boundary compared to financial reports), assurance for the report as a whole is necessary to convince users that the message of the concise report about the situation of the organization is reliable in its entirety. This is particularly important, if the integrated report is supposed to be the central element of the organization's reporting. However, if additional reports that are linked to the integrated report (see question 2) are to obtain assurance or not, is a different question.

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 content generally seems to be appropriate and comprehensive. However, the requirements could be more detailed (examples could be included, additional documents like background papers could be referenced) to ensure a sufficient degree of comparability (as mentioned in par. 1.14). Even though <IR> will evolve (with best practice examples leading this development), it is unlikely that comparability between reports of similar organizations will result. Comparability, however, is a key characteristic for a report to be useful to its readers. Thus, some more weight should be put on ensuring comparability despite the flexibility necessary for users to ensure a proper evolution of <IR>.

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) Connectivity of information: see question 15. 2) Measuring non-financial information (especially regarding the capitals): The concept of different capitals is essential for <IR>. In order to describe the creation of value in terms of the capitals, it is inevitable to measure and quantify information about the non-financial capitals. This is going to be one of the greatest challenges for the reporting organizations. Even though strict regulation is inappropriate, here (in order not to limit flexibility), more specified guidance (e.g. in separate but linked documents) would be of assistance for the reporting organizations. 3) Integrated thinking: The role of the integrated thinking idea has been somewhat unclear during the framework development so far. It is an important thought to connect management and reporting of an organization more closely, but many questions about how and to which extent this is supposed to appear in the context of <IR> remain.

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