

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.

1. That the current framework might be perceived as too socialistic instead of having a capitalistic basis.
2. That there is confusion as to the length, variety, naming conventions, etc., for the integrated report. Materiality does not solve this problem in practice, neither conciseness.
3. That the contents required is not sufficient for an integrated report - there are more to be included in the contents elements, like internal control, internal audit, audit committees, expertise of financial officer, stakeholder engagement (not only a guiding principle - it should be disclosed /discussed as well). Better guidance on summary IR's is also required.

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.*

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, but see 12 and 18 below as well.

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

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?*

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?

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?

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 pictures in Figures 2 and 3 and the relevant discussions might create the perception that capitalism is something of the past, and that socialism now has the upper hand. It might be noteworthy to still discuss entrepreneurship and leadership and the provision of financial capital as prerequisites for the business model to work and for the creation of value /wealth through the processes. In short, no model that takes into account sustainability in its wider sense would be able to contribute to society and the environment and to govern properly without wealth being created initially - thus without a very strong financial basis. (It seems that the current and accepted model in the world is the capitalistic business model creating wealth and money for doing a lot of socialist good - this perhaps is not so clear from the document as it is).

King II advocated a balance between entrepreneurship and governance, and sustainability is part of good governance (or an outcome thereof), and this discussion should also be presented in this framework for IR.

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?

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

It is good to have materiality as a guiding principle, but without bringing this closer to reality with some examples, the current chaos and confusion in the market would prevail. In South Africa, the large listed companies interpret the King III and current IR guidance documents in a variety of ways leading to confusion. Some regard IR as having a short summarized integrated report of 80 to 120 pages, for example. Then a summarized set of financial statements is included, and a summary of the sustainability report and perhaps references to the audit report and sustainability assurance report. This short version document (IR) might then refer to the full financial statements available on the website, the full sustainability report, the audit and assurance reports, and others.

Other companies reading and studying the same guidelines interpret them as to require a "full" and thick and complete IR that would still be the best - some even still have the summary IR, as well as this thick one ranging between 300 to 500 pages generally. Some regard this thick document as sufficient, others refer to more complete documents and reports.

Better guidance and examples should be provided without being prescriptive. Each type of report and IR should receive a name, as well as each assurance report (e.g. external assurance of the AFS, sustainability assurance and IR assurance).

The web/Internet provides a wide variety of disclosures and reports to be possible, but without guidance it leads to confusion in the market. Naming conventions should become standard internationally.

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?

Guidance is required on external assurance of the IR as a whole - for example covering a reasonable assurance statement on the AFS, as well as limited assurance (for example) on the sustainability reports and indicators. Having said that, see the next comments in 14.

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

Sustainability reporting can currently be regarded as a very pragmatic solution to a problem in the market. It seems that a commercial means for this has been created without taking into account the philosophy and principles and ethical considerations required. See 20 below as well.

Proper consideration of the postulates of sustainability assurance should be made, as the field of sustainability reporting is quite different than the financial reporting field that is older than 500 years in its modern application. Sustainability reporting is young and not yet robust enough (perhaps).

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).

King III is much more comprehensive and a better framework to ensure proper and complete reporting of all relevant aspects. The following elements need to be covered (or covered more comprehensively) as part of the content elements of an IR (although some might be part of the guiding principles, some of them require disclosure as well):

1. Stakeholder engagement should be required to be discussed. This could/should be the starting point for determining strategy, opportunities and risks, as well as internal controls.
2. Internal controls, internal audit, the audit committee and the reports of other committees, are not covered sufficiently at all in the framework. These are very important aspects and guidance should be provided around their disclosure as part of the contents of an IR. Internal audit is mentioned only once in the whole consultation draft.
3. Ethics and ethical considerations are not covered in sufficient depth.
4. The expertise of the financial director and function is not mentioned - some assurance on this should be provided to the reader of the IR.
5. Better guidance on summarized reports and financial statements summaries and related assurance reports is required.

It should be noted that a preparer of an IR should not be required to try and combine so many guidelines - the framework should be comprehensive and should be the one-stop document.

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, exactly like the requirement for financial information, management should take responsibility for the IR and the internal controls surrounding sustainability reporting.

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

There is confusion in the naming of an IR - some call it an Integrated Annual Report (good), others call it just an Integrated Report (good), others call it Annual Report (not good any longer), other call it Annual Accounts (not good); and another group call it Annual Integrated Reports (as if there are half-yearly integrated reports as well).

Please also provide guidance as to names like (or introduce names) Summarized Integrated Report or Long Version Integrated Report. Different and confusing expectations are currently created in the market.

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?*

See question 13 above.

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.*

There is no basis, except commercial, for the sustainability assurance report. This has not been thought through philosophically and ethically. The postulates for sustainability assurance have to be considered and recorded (and discussed). There is, for example, no consideration of the verifiability or auditability of sustainability data and information. There is nothing about systems and internal controls for sustainability, and no standards in this regard. No proper research has been done yet. Independence might also be an issue.

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?

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?

Other

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