

## 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](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, 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.

N/A

## 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.

### ***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. However, it might serve for the Framework to specifically refer to the International Financial Reporting Standards and GRI's sustainability reporting guidelines. We understand that there are MOUs signed with these organisations, and therefore a specific reference to these standards and guidelines will further align the reporting directions of companies, resulting in more comparable reports.

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 International Financial Reporting Standards and GRI's sustainability reporting guidelines should be prominently featured.

## **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?*

YES. This is in line with the general direction for corporate reporting to focus on material issues. While the IR framework remains a high level one, it could make reference to the GRI's latest guidance on reporting principles including boundary setting and materiality assessment, which is in much more detail than what is included under 5G.

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?*

This is a good definition for business model, but the framework should further explain how this can be applied in an integrated report.

### ***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?*

Yes.

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.*

## **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).*

While we allude to the conciseness clause under 3.29 (as a lot of reports are overly long), it is unclear what criteria could be applied to consider whether a report is or is not concise. It adds to the complication that part of a report could be considered concise while the rest may not. Furthermore, is there a consequence if a report considered not concise? Will this report be considered not prepared in accordance to the IIRC framework?

***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?*

The highest ranking office or governance body responsible for the preparation of the report should provide a statement of declaration in a prominent and conspicuous place in the report.

*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.*

## 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).

We agree with the content elements described under chapter 4. We would still like to see a direct reference to GRI's sustainability reporting guideline because:

- 1) To achieve conciseness of the IR, further details on ESG issues should be reported in the sustainability report;
- 2) IR should not be a concept that appears to down play the importance of a stand alone sustainability report, which serves a different purpose to the IR.

## 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, we consider this most important. We would expect this to be a top level officer or a board level committee of a company. A statement from a lower level of management would not be appropriate. This public statement is likely to drive companies in developing internal processes that result in high quality and accurate reporting. As such, the requirement under 5.18 should use a stronger word than "may".

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?*

We are unsure whether the question is referring to the assurance of whether the report has been produced in accordance with the IR framework, or the content of the report. If it is the former, we believe the framework as it is may be difficult for assurers to audit against because it is written as a high level framework rather than a reporting standard. If it is the latter, the current assurance practice for financial information is not directly applicable to non-financial data. ESG data is a very specialised field and its assurance require expertise and approach very different from financial data. For example, environmental and carbon data is very technical in nature, and often contain assumptions and uncertainties that are quite unique and cannot be examined as financial numbers. Is assurance for integrated report data points (financial and ESG) is going to work, there needs to be a whole new body of expertise and guidance to be developed for assurance of the non-financial data set.

*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.*

Refer to answer for Q19.

## **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 IR Framework provides a sound statement of what is required but will only be effective if:

- 1) It is coupled with regulatory support;
- 2) Used in conjunction with other related international guidelines such as those for financial reporting (IFRS) and sustainability reporting (GRI)

## 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) Conciseness - Refer to answer for Q12, we feel that the concept of conciseness is good, but difficult to execute or judge;
- 2) Assurance of an integrated report;
- 3) The link between IFRS and GRI.

## Other

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

A clarification on IIRC's position on IR (Integrated Report) versus SR (Sustainability Report). There seems to be some confusion surrounding the "one report" concept, thinking and IR can replace the SR. We are not ruling out situations in which an IR might serve both purposes, in particular for SMEs. But we do not believe it is clearly conveyed that IR is not meant to be a replacement for SR.

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)