

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.

Overall agree with the concept of integrated reporting.

A company's integrated report must express its personality.

The guidelines should not be overly prescriptive so that we end up with Boiler plate disclosures, this would defeat the purpose of an Integrated Report.

The application to all entities whether listed or private probably goes to far and for a lot of private entities would increase the reporting burden.

Integrated Reporting should not increase the reporting burden for a company overall, other reports need to give.

An Integrated Report does not need to be assured in its own right. Companies already report to Capital providers assured and non assured information. Capital providers and users of the reports are able to form their own views on reliability/ credibility of Management and Directors, they already do this with the information an entity discloses

(or does not disclose).

Future orientated information should be limited to strategy based information. An entity should not be required to disclose any financial forecasts above what is required by continuous disclosure rules, if listed. Private entities would not disclose this information publicly unless it was in prospectus form due to listing processes.

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.*

Overall agree with the principle based requirements and that organisations should comply with bold type as far as the principle materially impacts their organisation. Though I do have some concerns with some of the guidance/explanations that are underneath the principles such as:

2.3, 2.14, 3.11 It is almost like the IIRC wants an organisation to provide an overall value for the company and how much each capital represents plus a reconciliation of the movements in each capital. This would be an expensive, time consuming exercise that would require external input and not to mention extremely hard to actually undertake. I think the language here needs to be softened to show that clearly is not the intention.

Not sure the objective of conciseness will be achieved given the principles basis and what is expected to be disclosed. If you want concise reports then there will be a lot of links to other reports (such as the remuneration report in Australia (4.12)) this would need to be incorporated by reference) and other reports where there is more detail.

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?*

An entity needs to be consistent in the way it reports externally to the market, consistency in reporting assists with reputation, share price performance etc.

If a company is inconsistent in reporting it will be found out and the capital markets will react in various forms, Board and management pressure, share price etc

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 IIRC does not need to prepare an on-line database of authoritative sources of indicators or measurement methods. There is sufficient information available already. Also IIRC cannot dictate that an entity must use particular indicators - it depends on what indicators and entity uses.

Other

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

Integrated reporting needs to be cognisant of local laws governing the enterprises and the reporting requirements imposed by Government and Regulators. I also don't want to see the reporting burden on companies increased.

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?*

Agree with the approach to the capitals, but don't agree that the entity should explain what is not material, that should be left to the materiality statement. In some cases it looks like this is trying to become a tick box exercise, I can see checklists being produced all ready.

An organisation should report based on how it is organised, structured, governed, the principles could be seen as a way to influence this when it is those charged with Governance's task to determine this.

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?*

Yes - the definition is logical, a business is in place for the primary objective of creating value - however that is defined by the organisation.

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?*

The business model as described is a logical. It is what businesses do, there are inputs of resources that lead to outputs of goods or services or emissions etc..

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?*

Materiality – definition and approach to determine should be the same as what is used for the financial statements. Integrated Reporting should not introduce another definition. A company must apply materiality consistently between all reports internally and externally.

Doubt the conciseness of reports given the prescriptive nature of the report and the need to disclose also what's not in the report. Investors, stakeholders should make their own minds up on the report and its quality and make their views known and it necessary vote with their feet, at the AGM or by withdrawing their investments in the entity.

Future orientated information must be expressed in terms of strategy - financial forecasts should not need to be provided as these can be very restrictive on operations.

If there are targets imposed on areas like diversity etc. by local rules then they can be covered.

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?

There should be a statement from those charged with governance as there already is in the Directors Statement/Declaration in Australia which is attached to the accounts. It is the Directors responsibility to ensure reliability and completeness of the report and ensuring the appropriate due diligence processes are in place for collection of the information being disclosed.

I have an overall view that assurance is not required given it is the companies report primarily to capital providers. Though there will be elements in the report that are already subject to assurance, financial information for example.

Companies already report certain information externally through investor presentations that assurance is not provided on such as KPIs etc. this should stay that way.

Assurance, if mandated should only be over fact and not over strategic decisions, business model or policy for example. It is not up to an assurance provider to second guess management.

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).

I have concern that this could become a tick box exercise as it is too prescriptive, some comments on specifics

4.11 best governance – who will determine this? - Governance in part is dictated by the structure of an organisation and laws or regulations that apply to it. Governance can vary depending on whether an entity is listed or not.

4c –I don't want to see a boiler plate risk statements – they are not useful. The risk statement should build of an entities risk management system.

4d Key features of stakeholder consultations in formulating strategies and resource allocation plans. Strategy is for those charged with Governance, they make the

decisions, and explain that to market, they don't need to divulge sources...

4F Effects on the capitals up and down the value chain..... This should be softened as it could be viewed that the IIRC wants an entity value each capital and show a statement that describes the movements between each capital. This is probably not the intention but it could be viewed that way. Descriptions of changes through concise paragraphs would be fine

I see there will be a lot of linking to other documents in financial statements, remuneration reports etc. do not want duplication of information

Comments in 4.31

Agree with most of the Qualitative items except for industry or regional benchmarks unless they are used by the organisation.

4G – future outlook

Can be discussed in terms of strategy and process to review/tweak strategy given changing internal and external factors. But need to be careful on liability of those charged with governance and unnecessarily constraining the company by requiring financial forecasts.

There should be no obligation on the company to disclose 5 year financials for example this is very restrictive on operations. If a company has provided guidance to the market through their investor presentations then that should be included. It is about what the company discloses.

I hear of calls for a safe harbour for directors particularly from Australia on future based information. this is probably not required in my view as Companies already discuss strategy in investor presentations and they don't need to disclose short or long term forecasts if they don't wish to. The integrated report is not a prospectus and should not be treated as such.

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 a statement from those charged with governance as there already is in the Directors Statement/Declaration in Australia which is attached to the accounts. It is the Directors responsibility.

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?

I don't believe there needs to be explicit assurance over the integrated report. Companies already provide extensive reporting to capital markets most of which is not assured other than the financial statements and in Australia the remuneration report. Though the remuneration report assurance is over the numbers not the policies in place and that's how it should be.

Assurance should only be over fact and not over strategic decisions, business model or policy for example. It is not up to an assurance provider to second guess management.

At best assurance providers could do a letter of comfort to the board over the report similar to a debt prospectus or a circle the numbers report, tracing back to sources but no assurance.

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.

Organisations should be judged by the consistency, reliability of the report over time and the outcomes/ results of their performance. This is what they are already judged on

The users of a report should ultimately decide its credibility through expressing views to Directors and Management, selling out of their holdings, not renewing loans, not doing business with the firm etc.

Assurance should not be required due to the whim of assurance providers who have vested interest in obtaining additional business. There needs to be a strong rationale developed as to why assurance is required when it is up to the Directors and Management to disclose complete and accurate reports. Companies already report to the capital markets non-assured information. The capital markets and users of reports can make up their own mind on the completeness and reliability of the report. They do this regularly already.

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?*

Overall I believe the guidelines are too prescriptive and potentially too onerous. May be this should really apply only to listed entities not all. i.e. application by private sector for profit companies of any size. Think there needs to be a limit so only material entities are captured.

This will increasing the reporting burden for each entity (and costs if assured), unless this report could be used by every entity where a privately held entity is responding to a tender to ensure consistency of information!!

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?*

Don't need any additional explanatory frameworks – more frameworks you have more the boiler plate it will become and the less useful to users.

Other

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