

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.

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Stakeholder group:	<input type="text" value="Report preparers"/>

If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text" value="Kirloskar Brothers Limited"/>
Industry sector:	<input type="text" value="Industrials"/>
Geographical region:	<input type="text" value="Asia"/>

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.

It was considered as the next higher level reporting after Annual Report and Sustainability Report. However now we understand that This is "Third Report". This is not very clearly understood as any additional reports would mean additional efforts to prepare them. It is necessary that this aspect should be decided and explained to organizations as to if this is really ONE MORE report or it is inclusive of Annual Financial Report and Sustainability Report.

Also while it is true that process of collecting relevant information on what is to be reported will be continuous - it will be preferred that some frequency needs to be decided. A "continuous" reporting process will be too much of a burden on the organization. Initially an Annual Integrated Report would be ideal.

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 concepts of principles is acceptable. All other principles of reporting are already covered in AccountAbility and GRI standards etc.

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?*

While cross referencing with other reports and communications is acceptable if it is limited. However Integrated Report should also have its own identity and contents.

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?*

We would welcome as many useful references which will help report preparation. These should be tools for report preparation. Since many qualitative aspects are likely to get quantified in some way - there is need to provide standard references which are acceptable as they develop.

Other

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

The concept of conciseness can be explained so that people who prepare reports can include what is necessary and exclude what is not.

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?*

The concept of capitals is acceptable. The difficulty is envisaged in measurements and quantification of capitals as "input" and as "output". Further difficulty will be "monetizing" the value created. If standard methods are established which are globally acceptable it will help comparison "year on year" and also with other organizations.

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

Subjectivity on quantification of capitals to be addressed.

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?*

The definition of "Business Model" is acceptable. We need to explain that there will be multiple "Business Models" for large organizations with multiple products and businesses. Also "Business Model" is not a static concept - rather it is part of strategy and business model will continue to develop or change as the business environment changes. In fact innovations in "Business Models" is need of the day for organizations to grow and generate more value.

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?*

This is agreed. Business activities will lead to consequences (positive or negative) and an understanding of this is essential for the organization.

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)?*

Nil

Other

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

As mentioned earlier - a background paper similar to the ones on Capital, Business Model and Materiality will be helpful.

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?*

The definition is acceptable. However the traditional process followed by Enterprise Risk Management may result in ignoring some of the important material issues. For example - if the issue of risks related to "Climate Change" are not considered - important material issue may be ignored (either knowingly or unknowingly).

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

Process of materiality determination will need to be strengthened. It may be necessary to consider what is material to investors and the process to identify these issues (material topics).

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?

External assurance providers can provide statement on reliability of the non-financial aspects of the report in addition to the financial as done traditionally. A statement from the highest level authority of the organization also provides confidence about the reliability of the content of the report.

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

Nil

Other

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

Overall strategy for growth which is part of the long range plan can be described by the organizations. This will not harm their competitive position.

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).

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?

Sustainability Report requires a statement from the highest level authority. In our opinion the same practice should be continued for this report also.

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

The involvement of the board level in Integrated Report is desirable however - this will need to evolve and can not possibly be made mandatory now.

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?

A stand alone integrated report with limited cross references will be easier for assurance. The assurance should be for the "whole" integrated report with its clear identity.

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.

Since the framework is a guidance standard the assurance process will evolve over time. This is something we need to experiment by involving assurance providers also.

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).

Nothing specific

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?*

We are very excited to be part of pilot program of IIRC. We consider that the Framework overall has given a direction to future of corporate reporting. We are ready to experiment and use the framework as it evolves through collective wisdom at global level. The framework provides all the elements which will project the organisations ability to create value.

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. Background paper on "Value".
2. Role of accountants and assurance providers
3. Materiality determination from investors point of view

The above could be considered.

Other

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

We look forward to active participation as a Pilot for the integrated report.

We also request for training resources which can be used internally to build our organisations capability for developing Integrated Thinking and resulting in Integrated Report on continual basis.

We are excited to be part of this development.

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013