

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="Confederation on Indian Industry - Centre of Excellence for Sustainable Development"/>
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.

<p>1.IIRC proposed framework on <IR> is good, but has to be specific as to what has to be disclosed by reporting organization, since the assumed audience of the report shall be investors.</p> <p>2.Even though the IR framework subscribes by a principle base, it can tend to get open ended with an end result of massive divergence in the quality of reports produced by different organizations.</p> <p>3.The Integrated Thinking concept has being minimally discussed even though it is such a crucial and integral part of the framework, since it could influence the output of an Integrated Report</p>

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 Guiding Principles are well chosen and give a good description on the intent of the requirements pertaining to the specific Guiding Principles.

Additional Guiding Principles that can be explicitly specific is Transparency. The principle of Timeliness can also be made more specifically

When it comes to disclosure, businesses would prefer more defined rules as compared to principles.

Mature companies would be able to follow a purely principles based approach, basing their disclosures on prior experiences and knowledge. Less mature companies and first time reporters may struggle to properly capture the intent of the principles without guidance on measurements or KPIs to disclose on. A recommendation in the final version would be to provide guidance on the broad type of disclosures that will be relevant for a particular section.

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?*

The disclosure expectations of the Integrated Report, as per the Guiding Principles, Content Elements and Preparation and Presentation section, has to be captured in its entirety in one report. Linking key information to another report shall not do justice and should not be accepted as an IR (its like confusion with Combine 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?*

National Accounting Standards for India
National cost accounting Standards for India
SEBI: Securities and Exchange board of India, requirement on BRR (Business Responsibility Reporting)
IFRS and other IASB Standards
SASB
GRI Based sustainability reporting criteria

Other

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

The confusion of IR being principle based framework & result of the framework as "Integrated Report" should be given clarity. As businesses confuse IR to be yet another report or what they are doing as "Combine Report".

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 Octopus diagram needs further explanation. Since its interpreted that the capital flows as linear and could not understand that an outcome on one capital was not dependent on having an input from the same capital stream. Also how to make this operational, needs further explanation.

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

Some of the capitals can not be quantified and it leads to subjectivity and inability to compare and define their value creation ability. Also interlinked flows of capitals and its linkage to Value creation needs clarity.

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?

Many businesses have more than one business models depending on the type of diversified portfolio of activities they have. Therefore this should be reflected in the definition as the chosen system(s) of inputs.

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

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)?*

No further comments

Other

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

Value Creation is highly subjective and a detailed guidance document is needed.
Paragraph 2.42 is particularly confusing.

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 of Materiality is essentially the traditional definition of risk and is too limited and unrealistic for the purposes of integrated reporting. Also what is material to an investor given that the providers of financial capital are interested in a return on financial capital via discounted future cash flows. Materiality could be redefined in language that is more understandable to the provider of financial capital.

Stakeholder engagement and a matrix of impact on value compared with the impact on stakeholder could be more appropriate.

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

Confusion between materiality statements. In the Consultation Questions the explanation to question 5 it states materiality decided by company where as the explanation before questions 11 states that materiality is determined by investor assessments

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 public nature of an integrated report drives the need for such a report to be accurate, timely, complete and accessible. The draft framework does not provide nearly enough guidance on accuracy, the manner in which the information in a report is collected, collated and presented, internal controls over non financial information and freedom from tolerable error.

As a public document addressed to existing and potential investors, assurance should be mandatory but consideration should be given to the issue of assurance over future events. A suggested approach is on the assurance of internal control environment and the system around the data capture plus opinion on the feasibility and reasonableness of assumptions on forward looking information and substantive testing of quantitative performance data. The absence of a standard for third party assurance is a key negative issue here

There should be a board statement of ownership of the report and its content, that is its accurate to the best of their knowledge and that they describe the control environment they have in place. The Frequency of reporting both internal and external to the organisation should be also commented upon by management

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

No further comments

Other

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

The anti-competitive clause can be seen as a tool for many companies to hide behind. The word story should be avoided if the intended user of the report are investors, as it is doubtful whether they are interested in a broad winding approach. A more appropriate word should be considered 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).*

The sections intended to be disclosed in the content elements are good in approach. Companies will be worried about the future outlook requirements to provide meaningful forward looking information without compromising competitive position.

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?*

As investors are the intended users of these reports, there should be a governance statement of ownership of the report and its content, that is its accurate to the best of their knowledge and that they describe the control environment they have in place.

Businesses should not be discouraged for integrated reporting, by acknowledging their responsibility for IR. Adoption of IR framework within businesses shall take sometime to gain better understanding, from first report itself the Board could not be made accountable for an IR.

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

The framework should spell out Board responsibility for Integrated Reporting and Value Creation, by putting in-place a governance mechanism. There is a risk that businesses will discuss their sustainability or CSR committees which are defeating the purpose of integrated thinking.

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?

Assurance should be focused on the accuracy of the information in the report and not on assurance that the framework requirements have been met.

Assurance over the content should be provided for the whole report. Future looking targets and forward looking information is likely to be un-assured but the assumptions made by management should be assured for reasonableness.

A Statement from the assurance provider that the internal controls over the data capture and consolidation are accurate should be included. Reasonable assurance on any numeric data should be provided.

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.

Focus should be on the accuracy of reported information and not on compliance with the framework.

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).

The concept of continuous reporting is confusing and should be explained better. The frequency of reporting is for many companies a major hurdle as there is currently a material gap between the production of the financial statements and sustainability report.

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?*

It is suggested that the IIRC develop guidance on implementation of the IR framework, a phased approach should be encouraged with a focus on the guidelines and some of the content elements and not on the preparation requirements initially.

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?*

The business case for doing IR with proof that investors are either asking for it, or shall consider IR for their decision making.

A detailed document on Value Creation through SIX forms of capital

Why IR is different from existing frameworks

Internal Controls and Assurance on IR

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