

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:	Jean-Luc Barlet - Group Chief Compliance officer; Anthony Carey - Partner, UK
Email:	jean.luc.barlet@mazars.fr; anthony.carey@mazars.co.uk
Stakeholder group:	Assurance provider

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

Organization name:	MAZARS
Industry sector:	Not applicable
Geographical region:	Global

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.

MAZARS strongly supports the development of the Integrated Reporting Framework and is pleased to contribute to this important initiative. As an accounting and assurance provider, we perceive a need for further clarification on the following elements:

- 1/ The scope and the definitions included in the framework: the right level of aggregation, how the Integrated report will interact with other reports and communications during the transition period and at the end of the process;
- 2/ The business systems, processes and organizational adaptations needed in order to prepare and present a high quality integrated report (IR);
- 3/ The minimum requirements to be fulfilled in order to be in accordance with the Framework defined by the IIRC;
- 4/ The role, approach and qualifications of the external assurance providers, as we consider external assurance will be important in order to enhance the reliability and credibility of the report;
- 5/ Lastly, as the IR proposes to modify the contents of the annual report, we consider it may well need to develop its own standards regarding the materiality, reliability and completeness of the information provided with in the IR report as well as cross-referring to those of others

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.*

MAZARS welcomes the principles-based approach as it is described in the Framework. Nevertheless, in order to strengthen the integrated report "label", it seems important to set minimum requirements and to develop guidelines with an appropriate level of 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?*

Paragraph 1.18 needs to be clarified as several reports have to be produced for investors and others

- Can the IR fulfill the reliability and completeness principles you propose just by including links to other reports and communications? Would it not be better for the IR to formally incorporate those other reports and communications by reference?
- Will the IR fit the large diversity of investors / other stakeholders needs: at present different investors and other stakeholders issue a variety of different questionnaires with different ones using their own specific indicators?

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?*

MAZARS believes that the IIRC should develop an online database with existing indicators and measurement methods as they were for example developed by EFAS for EGS.

MAZARS would like to point out that close ongoing cooperation between IIRC and all relevant organizations, standard setters, regulators and other authorities will be essential if the Framework is to be accepted by the principal stakeholders as suitable (see IFAC ISAE 3000 standard). This will be necessary if assurance is to be provided on the IR.

The acceptable valuation bases for intangible assets (such as knowledge management) will need to be explicitly stated.

Other

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

MAZARS supports the integrated thinking approach and would like to emphasize the importance of taking into account the connectivity and interdependencies between different businesses within the same group. In paragraph 1.17, the ability of the organization to implement its business model in a coherent manner should be mentioned, specially for multibusinesses companies.

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?

MAZARS agrees with the overall approach to the 6 capitals. We hope that the meaning of the term "capital" will not be understood in a too restrictive manner: i.e. as just embracing direct resources used / created by the company. As integrated reporting also embraces suppliers, clients and other stakeholder impacts, the indirect added value or negative impacts should also be taken into account. The selection of the various capitals will depend on the business model of the company and so may differ from one industry to another. Eventually, we believe IIRC will need to develop relevant and reliable methodologies for measuring human, social and natural capitals.

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

In paragraph 2.22, it is not discussed how the IR proposes to deal with issues relating to accessibility to and not only the availability of some capitals such as natural capital. As not all capitals are controlled by the company and as additional (external) stakeholders can also use the same capitals, the organization may face significant challenges in reporting on some capitals and identifying their impact on them. In order to provide assurance on the IR, MAZARS believes it will be helpful to explore the development of appropriate quantitative and qualitative indicators in the Framework, at least over time, in order to foster the provision of suitably consistent and comparable information by different companies.

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?

MAZARS has no specific comment on the definition of "business model" but we believe it is also essential for the overall purpose or mission of the company to be stated in a manner which will inspire stakeholders. The main challenge for the IR is how to manage the complexity of potentially several business models in a manner that promotes integrated thinking. To what extent should a company describe the coherent system for organizing multiple business models and ensuring the connectivity between them? For example, should EADS or Boeing, emphasize their different business models (civil aviation, defense, services,...) and/or focus on the connectivity / integration of the different activities? In paragraph 2.26, we would add the word "accepted" ahead of the outcomes [and accepted outcomes] as the outcomes, especially the negative externalities are not chosen by the board but are accepted by it.

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?*

MAZARS would delete the word "business" [as a result of an organization's activities and outputs] in order to include all the activities not directly related to the business - as for example outcomes from associated charitable foundations and similar activities.

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)?*

In section 4E - paragraph 4.22, we believe too much emphasis is done on the word "resilient" which is especially important in downturns in the economic cycle but less so in periods of relative prosperity. We would favour integrated reporting also mention the "agility" and "dynamism" of the business model.

Other

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

Value creation is one of the core elements of the IR Framework. We consider these concepts are still to vague in the draft provided especially if assurance is to be provided on the IR. Indeed, definitions and methodologies for the valuation of capitals based on non-physical items are still not developed and the framework should provide more guidance on the information that has to be provided by companies to enable reports users to assess the ability of the organization to create value over time. (paragraph 2.42) In a shared ecosystem, the capacity of the organization to circumscribe the externalities resulting from its activity is difficult to evaluate. As a result, there may be a risk that companies will appraise only their outputs which is not the IR goal.

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?*

MAZARS agrees with the broad approach to materiality but we believe further work is needed to consider the extent to which this is aligned with the concepts relating to materiality as set out in the accounting and auditing literature.

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

In addition, in the materiality determination process - i.e. 3.25 & 5B (assessing of the importance of those matters) - the IR Framework should add the notion of combined matters: a specific information can become material with the addition of other information.

As we consider external assurance is crucial in making the information credible, if the IR incorporates financial data, the IR assurance provider will not be able to provide an assurance report on financial data but will only be able to attest the consistency of the data with that in the financial reports.

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?

MAZARS considers external assurance is key to the reliability and credibility of the IR. Users' confidence in such will increase only if the IR is not perceived as a marketing brochure. The nature of assurance will clearly depend on the type of information included in the IR and the extent to which is is, for example, qualitative, quantitative, forward looking etc...

The external assurance should fulfill certain criteria relating to independence and adherence to shared standards.

MAZARS does not recommend the development of separate IR assurance standards but believes there should be close cooperation with existing financial auditing standards setters.

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

Guidance on how to strike the balance between completeness and conciseness is still not fully developed in this version of the Framework but we do believe that experience in practice will help companies and report managers to move forward in this area.

Other

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

Paragraph 3.51: IIRC should now foster exchanges among stakeholders within specific industries to see the extent to which it is possible to arrive at shared views on the principal quantitative and qualitative indicators.

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).

In Chapter 4A - paragraph 4.7, a short description of the value chain should probably be added. The value chain would be set out in more detail in Chapter 4E.
It may be quite difficult to provide much information on the principal opportunities for the business as these may be commercially sensitive. Further exploration of this area would be helpful.
In addition, MAZARS believes that information on future outlook, chapter - 4E, is likely in practice to overlap with information included on opportunities and risks.

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, MAZARS thinks it is important to hold management and those charged with governance accountable for the information provided: assurance can only be provided on a matter that is the responsibility of the management and those charged with governance.

Integrated thinking should be supported by the management and those charged with governance in order to foster the relevance and reliability of the report.

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

We do not have additional comments.

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?

MAZARS is very conscious of the challenges in seeking to assurance on the integrated report as a whole given its very wide-ranging nature. This is an area for further discussion and development.

As we mentioned above, companies will need to develop adequate system, organization and processes. Our current thinking is that an initial step might be to provide assurance on the processes and tools used to obtain the information used in the preparation of the IR.

In addition, the assurance providers would be able to provide assurance on the information included in specific sections of the IR recognizing the quite wide variations in the type of information included in different sections of

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.

Assurance relies on accepted standards relating to reporting and the provision of assurance on that reported and clear guidance. The Framework currently is too vague to provide a basis for assurance and to enable readers to derive the necessary degree of comfort that the information presented is fair and balanced.

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).

Aggregation and disaggregation of information have both a financial and a non-financial dimension. MAZARS agrees with the approach presented in chapter 5H but would like to highlight that comparability among peer group companies could become difficult in particular in respect of the non-financial information provided.

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 Framework is appropriate for use by organizations in preparing an IR but not sufficiently detailed at present: concepts and general principles should be better defined in the next version of the Framework. Companies as well as assurance providers now need to better understand how they can in practical terms implement integrated reporting: Should the IIRC publish a implementation guide and/or provide feedback from the pilot studies?

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 measurement and type of information that could be provided on non-physical and non-financial capitals;
- Operational implementation (the process of preparing an integrated report);
- Accountability and assurance issues regarding the reliability and completeness of the information provided.

Other

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

We have no further comments.

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