

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="City Developments Limited"/>
Industry sector:	<input type="text" value="Not applicable"/>
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.

IR is a certainly a good process connecting financial, social and environmental performance. However, in Singapore where sustainability reporting is still at an infancy stage, it will not be easy for companies to understand and implement IR in the near term. It will be meaningless to combine the AR with SR in one document without providing strategic and preferably quantifiable linkage. For a company like CDL with experience in SR, we will be keen to learn more about IR and apply the relevant in the mid term (3-5 years) to long term (5 years & more). As corporations are stretched in resources and most operate in a highly competitive market, reporting guidelines and framework should be easy to understand and applied. Take up will not be high for companies if they find the framework hard to make sense of it.

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.*

Further expand on guidance for disclosure of unavailable information - to advise on extent of disclosure. E.g. if a guiding principle is deemed of lower materiality, would one para stating this be sufficient?

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.

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?*

Currently recognised standards such as ISO 26000, GRI, UNGC, CDP, DSJI, FTSE4Good etc.

Other

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

Setting the stage for the report is IIRC's definition of the IR - An integrated report should be prepared primarily for providers of financial capital in order to support their financial capital allocation assessments. This might then reduce the focus on some of the core subjects identified in ISO 26000 such as community involvement and development. If companies do not take a consistent approach of confining their report to the audience scope (which is fairly narrow now compared to current sustainability reporting), this will possibly result in a wide range of breadth in reports.

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 to the fundamental approach however practicalities of implementation will need to be considered.

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

It is however challenging for organisations to quantify some of the capitals such as human, social & relationship and natural. How will meaningful comparisons amongst various reports be made and will report users be able to understand the differences arising for e.g. across industries, company life-cycle, physical operating boundaries.

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 terminology might be confusing as the traditional definition of a business model is the plan implemented by a company to generate revenue and make a profit from operations. Perhaps to be more specific and refer to it as "sustainable business model" or an alternative differentiated naming.

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 - logical definition.

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)?*

There is a reference made to creation of value over the short, medium and long term. There might need to be more guidance provided as to what constitutes the different stages as interpretation might differ. The guidance provided in 4E relating to organizations with multiple business models could also pose as a challenge to large organisations that operate across multiple industries. "Disaggregating the organization into its material constituent operations and associated business models is important to an effective explanation of how the organization operates." It might not be efficient for them to scope the report for each business/revenue line as recommended.

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?*

Partially. "A matter is material if, in the view of senior management and those charged with governance, it is of such relevance and importance that it could substantively influence the assessments of the primary intended report users with regard to the organization's ability to create value over the short, medium and long term." Material to assessing the organisation's ability to create value is fairly different from material to the organisation's ability to create value.

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

Is there a need to disclose what has been determined as "immaterial" to the organisation and against which framework would this be set against?

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?

Matched against recognised frameworks be it ISO standards, GRI etc especially in terms of defining what constitutes as positive and negative matters.

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.

More guidance on some of the guiding principles might need to be provided. For e.g.
A Strategic focus and future orientation - how long a time frame is future orientation and how to ensure that meaningful representations are made rather than general "motherhood" statements.
C Stakeholder responsiveness - how does one quantify and value this? Will further guidance or a framework be provided?
F Consistency and comparability - it will be a challenge to determine comparability. Would this be against an organisation's past performance or industry performance and what if there are no clear industry benchmarks?

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?

No unless there is a clear indication of what legal liability this might result in. Typically there will be a Chairman/CEO's statement in Reports and as part of audited financial statements, a signed off Directors' Report. However given that there is no clear standard for sustainability reporting at the moment, acknowledging responsibility might be challenging. Similar concerns re: G4.

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?

The entire report but this could be audited by different assurers e.g. one for the financials, one for sustainability data. Partial assurance might result in confusion.

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.

To perhaps explore what sort of conflicts of interest if there are different providers for various sections of the report.

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?*

For organisations that have yet to begin reporting their performance other than financial performance, they will need more detailed guidance as they will not be familiar with some of the terminology and concepts in the framework. This could be via an online database as currently discussed, a dedicated technical "helpline", training consultants/practitioners to provide hand-holding, engaging local CSR/sustainability networks similar to "support groups". Report users will also need to be educated as to how to meaningfully interpret the data.

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?*

Identifying benchmarks for comparability, quantifying capitals and how these then fit into value creation, aggregation/disaggregation especially given the complexities and size of business these days.

Other

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

The framework does not take into account organisation operational context such as size of organisation, country/region that it operates in and corresponding complexities and cultural differences that might arise and other such business intricacies. Given that the proposed audience is capital providers, is this an indication that non-listed companies need not report in this framework and continue on with existing financial and sustainability reporting framework? Reports are currently largely also for accountability purposes rather than solely meant for capital providers.

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