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Date: July 15<sup>th</sup> 2013  
Re: Comment on the **Consultation Draft on the International <IR> Framework**

Dear members of IIRC,

The Dutch Accounting Standards Board appreciates the opportunity to comment on your discussion paper issued in April 2013, which we have recently discussed in our Board. Our detailed comments are attached in the appendix to this letter.

Whilst we generally support the overall IIRC objectives, inevitably opinions vary on certain aspects of the proposals contained in the discussion paper.

We have reflected those differences in our responses to your questions, as we believe that continuing the debate to achieve progress is more important than seeking total consensus on each and every detail at this stage.

Yours sincerely,

A handwritten signature in black ink, consisting of a stylized 'H' followed by a long, sweeping horizontal line that ends in a small loop.

Hans de Munnik  
Chairman Dutch Accounting Standards Board

# IIRC CONSULTATION DRAFT OF THE INTERNATIONAL <IR> FRAMEWORK

## RESPONSE DASB TO QUESTIONS IIRC

The IIRC invites comments on all matters in this Consultation Draft, particularly in relation to the questions set out below. Comments are more helpful if they:

- a. address the question as stated;
- b. indicate the specific paragraph reference, to which the comments relate; and
- c. describe any alternative approaches IIRC should consider.

The IIRC will consider all comments, which will be received by 15 July 2013.

**It is the very strong preference of the IIRC to receive responses in the format specified at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013).** However, if feedback is provided in a different format, an editable version must be submitted.

### Question 1 – 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).

Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.

### Response DASB:

We agree with the principle-based approach as set out in the Framework.

### Question 2 – 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 (paragraph 1.18-1.20).

Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

### Response DASB:

No, we disagree. We do not think that a stand-alone Integrated Report is desired.

Some members of the DASB believe that although the Consultation Draft mentions the interaction with other reports and communications, it does seem to ignore that companies nowadays already provide a lot of financial information based on for example IFRS and non-financial information based on national and international frameworks like GRI, OECD Guidelines, UN Global Compact or UN Guiding Principles on Business and Human Rights. Now that it is anticipated that a stand-alone integrated report is to be prepared in addition to

all other reports and communications these members feel this will not only erroneously create red-tape for business, but will also cause an information overload that will prevent stakeholders to distinguish the trees for the wood. In their opinion proposals for a Framework on Integrated Reporting need to be supplemented by proposals to reduce the existing regulation for both financial and non-financial information regulation. As these members are concerned that companies are faced with an increasing number of uncoordinated obligations for reporting they think the IIRC could play a meaningful role in this area.

Furthermore they believe the proposal to prepare a stand-alone report annually and in line with the statutory financial reporting cycle is not the way to go. Integrated reporting is a continuous way of communicating with different stakeholders – each of them with their own information needs – that must not needlessly be constricted by a paper report or report that is published annually (only). Modern communication tools are available nowadays and references to websites and/or other reports can better cater for optimal and continuous communication in a specific company situation.

Some other members of the DSAB have the opinion that an Integrated Report should enable the reader to better understand the cause and effect relationships between, for example, financial and sustainability performance. The Integrated Report should be fit-for-purpose for the 21<sup>st</sup> century, and should fully integrate a company's financial and non-financial information (including environmental, social, governance and intangibles). Therefore they believe that one Integrated Report should be produced, instead of all different types of individual reports with limited to no connection. Very importantly, and also mentioned in the Framework, only material information should be included in the Integrated Report, and all clutter needs to be removed.

As a technicality, and since transparency in reporting is an important instrument, it is necessary that the Integrated report in which all information is included, is available on the internet and storage as one single document. Furthermore these other members believe that much of this information might move to an online environment. The internet, in addition, social media platforms, discussion forms, blogs etc are likely to lead to richer stakeholder engagement, including user generated content, elements, and suggestions.

### **Question 3 – Interaction with other reports and communications**

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?

#### **Response DASB:**

In our opinion other reporting standard setters like the IAASB and others should consider this question, instead of IIRC.

### **Question 4 – Other**

Please provide any other comments you have about Chapter 1.

#### **Response DASB:**

We agree that the principles of integrated thinking and integrated reporting are not only beneficial to the largest listed companies and their stakeholders, but equally valuable to small and mid sized entities and their stakeholders, irrespective of the sector the entity operates in, even if these efforts do not result in an integrated report according to the Framework of the IIRC. The IIRC should refrain from creating a “light” version of the Framework.

Recognizing that <IR> is a new reporting standard, and will evolve over time, we believe that flexibility in and timely review of the content of a Framework overall is desired for use by organizations in preparing an integrated report and for providing report users with information about an organizations ability to create value in the short, medium and long term.

Furthermore some members of the DASB believe that in some situations the primary users of <IR> are the providers of financial capital, however in other situations the primary users of <IR> are not only providers of financial capital, but is a wider group of users. Therefore it should be up to the companies themselves to identify their primary audience and not the IIRC, as they can decide best which audience is their primary audience. Once this has been established the best way of communicating will follow. After all, in certain circumstances companies can be more transparent and better disclose particularly non-financial information in another way than by publishing statements and/or reports.

Some other members of the DASB believe it is critical that the IIRC adheres to the existing definition that the providers of financial capital are identified as the primary intended user. Long term investor's interests generally are very well aligned with the interest of all other stakeholders. Without a proper identification of the audience, materiality cannot be determined and companies will not be able to provide a concise report.

Some members of the DASB believe reports are much less important than individual one-to-one meetings. Other tools, including providing information via websites, through dialogue or interviews, and in an ad hoc way can be more effective.

Other members believe that corporate reporting is of the utmost importance for investors as it is the start point of their analysis. Long term investors are already well known to look beyond the financial facts and figures only. Both financial and non-financial information is important in their decision-making process. These members regard integrated reporting as a logical and necessary development, as environmental, social and governance information already is critical for assessing the performance and prospects of companies, and for the important stewardship role that investors both want and need to exercise.

#### **Question 5 – The capitals**

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).

Do you agree with this approach to the capitals? Why/why not?

#### **Response DASB:**

We agree with the definitions of the capitals identified and that the capitals are “stores of value”. The IIRC assumes that the primary users of <IR> are providers of financial capital. We disagree, as the primary audience per organization can differ. See also Q4.

#### **Question 6 – The capitals**

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

#### **Response DASB:**

We find figure 4 confusing, as this assumes a hierarchy between the capitals. In our opinion, and also as stated under figure 4, there should be no hierarchy in capitals, but they should be equal under <IR>.

Classification of capitals is in practice not always clear. In our opinion flexibility in defining capitals per organization is desired, as is mentioned in the Framework. Furthermore double counting of capitals should be avoided. Consequently we recommend that the providers are free to categorize capitals in their own manner, as long as they disclose and explain how they categorize their stores of value.

**Question 7 – Business model**

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).

Do you agree with this definition? Why/ why not?

**Response DASB:**

Yes, we agree.

**Question 8 – Business model**

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).

Do you agree with this definition? Why/ why not?

**Response DASB:**

Yes, we agree.

**Question 9 – Business model**

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 (Section 4E)

**Response DASB:**

No other comments.

**Question 10 – Other**

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

**Response DASB:**

No other comments.

**Question 11 – 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).

Do you agree with this approach to materiality? If not, how would you change it?

**Response DASB:**

Yes, we agree. However we recommend that more guidance in the Framework is provided regarding the determination of materiality.

**Question 12 – Materiality and conciseness (Section 3D)**

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

**Response DASB:**  
No other comments.

**Question 13 – 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).

How should the reliability of an integrated report be demonstrated?

**Response DASB:**

As a minimum the reliability of an integrated report should be demonstrated by signing the <IR> by those with oversight responsibility for <IR>, normally this is “those charged with governance” being the board of directors, and/or the supervisory board.

Some members of the DASB have the opinion that a statement of compliance or adopting it in the governance code is also an option to demonstrate the reliability of an integrated report. If a statement of compliance is used, the words “the integrated report is prepared in compliance with the Framework of IIRC” should be used.

Some other members of the DASB believe that a requirement to provide a statement of compliance is not wished for.

**Question 14 – Reliability and completeness (Section 3E)**

Please provide any other comments you have about section 3E.

**Response DASB:**  
No comments.

**Question 15 – Other**

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

**Response DASB:**

Paragraph 3.48 gives equal importance to consistency of time and to comparability. However in our opinion consistency is more important than comparability with other reporting entities.

**Question 16 – Chapter 4: Content Elements**

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).

**Response DASB:**  
No other comments.

**Question 17 – 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>.

Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/ why not?

**Response DASB:**

This is preferred, see also answer on question 13.

**Question 18 – Involvement of those charged with governance (Section 5D)**

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

**Response DASB:**

No other comments.

**Question 19 – Credibility (Section 5E)**

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?

**Response DASB:**

We are opposed the IIRC would provide any guidance on assurance of integrated information. Firstly, this would not fit into the role of IIRC. Secondly, although verification by an independent third party can be considered as an additional investment in a company's transparency, we are not in favor of mandatory verification. It should be the company itself in dialogue with its stakeholders to consider all the pros and cons of a third party verification. And, third party verification does not necessarily have to be done by a certified auditor.

**Question 20 – Credibility (Section 5E)**

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.

**Response DASB:**

See answer on question 19, this is no role for IIRC.

**Question 21 – Other**

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).

**Response DASB:**

No other comments.

**Question 22 – Overall view**

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?

**Response DASB:**

Several companies are already in the pilot phase of preparing an integrated report. Although we are not sure whether these reports are already in compliance with the proposed <IR> Framework, we recommend that these best practices are also taken into account when issuing the next version of an <IR> Framework, and to update the Framework periodically, so that a workable <IR> Framework can come about. In this sense examples of best practices of integrated reporting would be a useful tool to illustrate the foreseen principles.

**Question 23 – Development of <IR>**

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?

**Response DASB:**

No comments.

**Question 24 – Other**

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

**Response DASB:**

No other comments.