

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:

Email:

Stakeholder group:

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

Organization name:

Industry sector:

Geographical region:

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.

I would like to congratulate the IIRC on consulting with stakeholders on this important draft and strongly encourage the IIRC to make greater investment in stakeholder consultation going forward.

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.*

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 connection with GRI sustainability reporting needs to be both clearer and stronger for reporters to get across the management and measurement of all the different capital types. This seems fundamental to the efficacy of integrated reporting and requires priority attention.

The question of whether IR replaces sustainability reporting remains vexed, despite recent announcements from the IIRC that GRI is an essential input to IR. Further debate is required for a meaningful conclusion to be reached across the reporting community.

The timeliness and frequency of the integrated reporting cycle could be clearer. Its forward looking nature means that it could almost be framed as the output of a strategic planning exercise, rather than a traditional 'report'. This could create confusion regarding the position of an IR within the 'strategic rhythm' of a business.

Businesses will determine which form of reporting and when best suits their needs - businesses need the tools and the incentives to have this conversation in a meaningful way.

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?*

Other

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

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?*

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

Paragraph 2.22 raises a critical point regarding the availability of capitals to any organisation. GRI also deals to this in G4 under the 'context' banner. The IR exposure draft provides inadequate guidance on this matter for reporters. Yes, these are early days. Exploratory work from the like of TEEB is still underway. Nonetheless, there is a leadership opportunity for IR to support the development of robust frameworks required for businesses to deal to 'availability, quality and affordability'.

Paragraph 2.24 could be improved by guiding reporters to focus resources on the quantification of material non-financial matters. There is a tendency throughout the draft for 'lack of available data' excuses to be provided for those struggling with non-financial disclosures. However it is precisely the question of 'externalities' not being considered in investment decision making that IR is intended to resolve. There needs to be greater focus from IR on supporting business to develop the quantification / valuation models so that this market failure can 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?*

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?*

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)?*

Investors are often testing the resilience of organisations to increasing volatility in all forms of capital - change agility and capacity for innovation are key determinants of organisational resilience. The focus on innovation as a source of value creation could be stronger. In addition the change agility of the organisation to respond to innovation opportunities also needs greater attention. The IIRC has the opportunity to tap into expertise in both areas through wider consultation.

Other

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

The question of value creation for whom is key. The multi-capital approach seems to indicate that value creation can have a broad impact on society as a whole. The IIRC concept of value creation is framed as investor's value. Fuji Xerox absolutely see our role as value creation more broadly and encourage the IIRC to think more holistically.

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?*

No. Materiality should be framed through a broader stakeholder lens. Businesses can of course prioritise stakeholder groups and determine that some stakeholders have a greater weight in the determination of materiality. The draft definition needs to be reviewed as a priority given the critical nature of the materiality process.

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

In general this section is weak given the central role of the materiality process. It could be improved by establishing greater links to 'traditional' risk management approaches and by more careful consideration regarding the quantification of non-financial capitals in this exercise.

There is also inadequate guidance regarding the measurement of relationships (para 3.16). This is a challenging area, especially with regarding to suppliers. Customer and employee relationships tend to be better measured.

The concept of extended responsibility for stakeholder expectations as outlined in para 3.21 is a good one and should be retained.

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?*

Further guidance on assurance should be provided. Businesses need robust assurance methodologies for both data and processes. Assurance over key stakeholder engagement mechanisms and the materiality process in particular would be helpful to provide stakeholders with comfort that voices have been adequately heard, understood and fairly prioritised in the decision making process.

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

The section on cost/benefit is inconclusive and of limited assistance to reports in its current form. Para 3.41 could be improved by providing guidance on timeframes for cost benefit evaluation in reporting systems to be undertaken. Longer timeframes would encourage greater investment in the tools to support long term thinking and decision making. This would seem an ideal opportunity to address the shortcoming of short-termism which has predominated and demonstrably weakened business decision making in recent years.

Other

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

Para 3.52 raises an important point regarding comparability, especially in the area of benchmark data. If IR data could be prepared and shared in a way that supported common investor and customer evaluation frameworks that would help business streamline the data collection and reporting exercise. It would also allow for more transparent benchmarking which in turn provides both greater incentive and a clearer structured approach for ongoing improvement.

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 IR draft needs to address who has accountability for corporate performance across the different capital types.

Governance should also address insight on change management (para 4.11).

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?

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?

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.

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?

Further consideration regarding how IR can play a role for non-listed entities.

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?

Stakeholder engagement, materiality and sustainability context (ie access to all capital types).

Other

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