

## 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](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, 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.

Focus on investors  
Alignment, roadmap, to other frameworks and guidelines  
definitions of key terms

## 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 principles are comprehensive and applicable to a range of businesses and organizations appropriately, there is no need to add / remove principles  
- Suggestion: the alignment with other frameworks, both financial and non-financial, is essential to avoid duplication of efforts.  
→ With regard to the requirements:  
- More information is needed to explain non-compliance with the principles  
- More information is needed about whether and how compliance and evaluation will be performed (external audit? IIRC?).

### **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?*

- We agree, but the IR should be a roadmap to other communication formats. We suggest that the word "story" has descriptive connotation and perspective of the business model in light of organizational processes and not just another piece of communication, i.e., parameters converge different guidelines - should be strategic and contain other patterns existing in future.

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?*

- GRI, SASB, CDP, ISO, AA1000, ICMM, IPIECA, PRI, PSI, Equator Principles, Global Compact

## **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?

yes, they are identifiable and applicable to large range of companies.

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

-The term "intellectual capital" may not adequately reflect the breadth of this item. Intangibles such as innovation, brand / reputation and others, are not identifiable as "Intellectual". Suggestion change name to "Intellectual Capital and Intangible Assets"

### ***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 definition seems appropriate to reflect in a general way, logical principle, and the concept of business model. Considering the heterogeneity of entities that use the framework, the use of this generic concept facilitates applicability (of the framework).

### ***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?*

-The definition is confusing: is it the impact on the financial results or on all different capitals (interdependence)? For example, if the company impacts natural capital but not any other types of capital, would I need to disclose? Need to clarify the concept.

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)?*

-Generally, it is worth mentioning the difficulty associated with comparing (as desirable attribute of reports) between different business models. Business models will not be the same even in the same industry.  
How to check the comparability "unique stories"?

### ***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?*

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

**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?

-We believe that integrated reporting will allow various mechanisms of communication and information to be integrated in a systematic way. Making deadlines, themes and organizational leaders to act with synergy. A strategy based on this concept, starts to permeate all levels of the company and the thought becomes unique.

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.

## 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 main points raised by the framework that we have called attention are:

E) BUSINESS MODEL: The framework says that organizations should submit all their business models, using diagrams and flows to demonstrate the "inputs", operating activities and "outputs". However, some companies such as financial, have numerous business models (equity, for example). I believe that the concept of materiality should also be considered by the Administration to present business models or present a consolidated model.

D) STRATEGY AND RESOURCE ALLOCATION: We believe that the presentation of strategies and resource allocation issues are very sensitive, unlikely to be approached with due transparency required by the framework. The presentation of this information is unlikely to have financial bias, since it can directly affect the competitive advantage, which contradicts the very passage of the framework that deals with the disclosure of items that the strategy relates to competitive advantage.

## 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! Because in order to have the firm commitment is necessary to have a clear commitment and strategy in relation to IR coming from the top-down, ie, it is necessary then that the governance body to demonstrate your knowledge and responsibility in relation to IR, so use reporting tool integrated with the strategy.

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

It would be interesting to understand how the engagement process of governance in the composition and use of integrated reporting.

What is the IR for them?: Performance Tool;

-Mapping Tool;

-Communication Tool;

## **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?*

-We believe that, at first, it is natural to audit the data that are traditionally audited, such as those related to economic performance, financial and accounting information. But you need to build a transition (?), providing for the expansion of audit coverage for non-financial data that are measurable. You will need to establish this new logic of audit. Do not believe it will be necessary to audit the entire report, but will always be required to inform exactly what was audited. Regarding the "assurance" of alignment to the IIRC's framework, we consider that it is not necessary.

*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).*

1. The definition of 'relevant matters', 'materiality' and 'importance' is not clear. For example, on page 30 par 5.4, relevant matters are those that can have an "effect on the organizations ability to create value over time." On the glossary, materiality is defined as matters, of relevance and importance, that can effect the "organization's ability to create value over the short, medium and long term." These are essentially the same! However, not all relevant matters will be considered material (page 30). An example would be useful.

Furthermore, importance is also measured by the "known or potential effect on value creation" (pg 30, par 5.6). Confusing!! On paragraph 5.13 on page 31, after 7 paragraphs of the description on assessing importance, there is no mention of importance in the materiality determination process.

2. This leads me to my second comment, the term "create value", used throughout the publication. It is usually used without qualifying the value. Leaving it vague can mean that value can be created for society, for natural capital, or all other 5 capitals. However, in a few instances, such paragraph 5.29 and 5.25, the word "financial" comes up. I would recommend inserting this word in the materiality definition in the glossary, so that it would be "effect on the ability of the financial reporting entity to create value over time." I think this would clarify significantly all other section of the IR framework.

3. Assessing likelihood of short, medium and long term issues on the same scale will always lead to the prioritization of short term matters. To ensure this won't happen, I strongly suggest figure 6, on page 31 to include a this axis, time.

## 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?*

-Upcoming releases:  
1 - Definition of "value";  
2 - Tools to appraise the different capitals;  
3 - Standardization of the valuation of the different capitals, not necessarily financially;

## 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?*

1 - How to value intangible assets;  
2 - Explore materiality in different sectors;  
3 - Benchmarking

## 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](http://www.theiirc.org/consultationdraft2013)