

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.

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.*

Principle 1.6 determines that an integrated report be prepared primarily for providers of financial capital. Whilst the investor community is the traditional focus of established financial reporting the integration of the non-financial capitals sought through <IR> is severely compromised with the inclusion of this principle. Stakeholder inclusivity within <IR> should determine whom the focus of the reporting is based upon to ensure materiality.

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 idea of continuous reporting presented in 1.18 is one that should be given great focus and consideration as <IR> develops - particularly as information availability becomes far more instant as communication technology evolves.
1.19 is not clearly written and should perhaps include an annex with other reporting guidance that was considered in the preparation of <IR>
1.20 suffers from the same weakness as before in constructing a language that is too focussed on the financial. As an example within the first line the text could be re-written to mention the basis on developments in 'business reporting' rather than 'financial and other'. This conflicts with the idea of materiality as a guiding principle as it assumes that the financial shall always be placed at the centre of any value chain.

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?*

AA1000 Series of Standards
ISO Standards
GRI G4
ISAE 3000
CDP

Other

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

n/a

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?*

The capitals approach presented in 2.17 it aptly captures the nature of changeable resources available to organisations operating in the modern business climate.

The definition of social and relationship capital could be expanded to include cultural values which an organisation may depend on for its success. This should be distinct from human capital as organisational culture should focus on employees as collective rather than at the individual level.

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

n/a

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 of the business model presented here demonstrates critical understanding of the cyclical nature of business flows. The definition would benefit from being understood both in terms of a business choosing to engage with its model but also understand that the business model may be influenced beyond and organisation's control. It is essential that <IR> understands both quantitative and qualitative influences and does not neglect to include information that is beyond the realm of control of the reporter.

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?*

I would agree that this definition aptly covers the differing outcomes affected by an organisation's 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)?*

n/a

Other

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

n/a

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?*

The given definition focusses too much on the organisation seeking its own determination of materiality, giving the impression that stakeholders are not consulted in this process.
Materiality as defined by the AA1000 Series is "determining the relevance and significance of an issue to an organisation and its stakeholders. A material issue is an issue that will influence the decisions, actions and performance of an organisation or its stakeholders." This definition adopts the integrated thinking that underpins the AA1000 series which is essential for <IR> and it provides a more universalistic approach.
Equally important to <IR> in the definition of materiality is the notion of context. Business models, strategy and materially change as the context of the organizations changes. Climate change and resources scarcity (i.e. water, energy) are issues that may not have been material years ago but the context has changed.

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

Echoing the previous comment - the materiality determination process at no point mentions the involvement of the stakeholder as a part of the process. The stakeholder community is an essential voice in determining materiality to ensure its integrity.

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?

Internal and external assurance and stakeholder panel reviews provide a robust process to ensure the reliability and completeness of data. The recommendations presented by any external assessor or stakeholder panel should be presented publicly either in the report or available elsewhere for transparency

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

n/a

Other

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

n/a

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).

n/a

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?

In the same way that an assurance provider will sign the statement of assurance provided in a report the governance body that is responsible for <IR> within an organisation should prepare and appropriate statement of responsibility. This ensures that those governing the content of <IR> are held to account and more importantly aware of both the framework and how it has been applied to their reporting.

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

n/a

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 quality of assurance is essential to uphold for once it is lost the purpose of assurance is too. Whilst it is important to assure this may need to be done by more than one body, particularly when you consider the breadth and scope of <IR>. <IR>'s multidisciplinary nature requires that time be taken to ensure that the content of the report is 'right' but moreover that the 'right' content is in the report (generally seen if there is robust stakeholder engagement and materiality processes). As far as it can do so, assurance should seek to assure that the <IR> framework has been adopted in the process of reporting. As <IR> develops it should seek to also develop the framework of skills required for effective assurance such that the needs of the financial and non-financial data is met.

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.

One of the largest problems met by the non-financial assurance field is a lack of credibility. This stems mostly from the lack of regulation within the industry and moreover the lack of an authority to assure the assurance providers. <IR> needs to take this into account should its content be developed with assurance in mind.

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).

n/a

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?*

At its present stage <IR> presents a robust initial framework for a reporting organisation to begin its process of integrated thinking. What will present a challenge to this integrated thinking is the process of regulation and transformation that the framework is embedded into. It is essential that more non-financial stakeholders are represented and included within IIRC and the development of further iterations of <IR>, to ensure both its relevance and sustainability in the long term.

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?*

Materiality Determination - this determination will prove essential in <IR> as without a robust process the content may prove irrelevant, incoherent or incorrect.

Stakeholder Engagement - Inclusive of the investor community, employees as well as the external communities that a company impacts through its activities and outputs; effective stakeholder engagement will both challenge and strengthen the content of <IR>.

Integrated Thinking - is an essential skill for any management process that produces <IR>. This skill should be developed by professionals looking to prepare, analyse and (in time) regulate such reporting.

Other

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

n/a

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