

## 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.

## 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.*

Transparency - while the commitment to transparency is implied in all the principles, a specific commitment to transparency, perhaps under 3E, would strengthen that commitment

### ***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?*

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?*

We would suggest the GRI 4 (to be launched in 2005), the Carbon Disclosure Project and then stock exchange-specific listing requirements (for example the Johannesburg Stock Exchange's Social Responsible Investment index

## **Other**

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

1.6 Audience: We would add the adjective "long-term" to the phrase "providers of financial capital", i.e it should read: An integrated report should be prepared primarily for providers of long-term financial capital in .....

## **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?*

Overall we do agree with the capitals approach but the Consultation Draft is too vague in how this should be presented by companies in a concise format short of listing them all in tabular format. In particular the requirement under 2.3 "to make visible all the capitals on which value creation (past, present and future) depends" could be very onerous and difficult to reflect in an integrated review

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

Manufactured capital: This suggests that a company's physical assets are all listed which may be suitable for a Financial Review but should not be necessary in a Integrated Report  
Intellectual capital: By its very nature reflecting the value of intangibles associated with the brand and reputation of a company is difficult

### ***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?*

Overall we agree

### **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?*

We do agree overall, though it is sometimes impossible to provide an accurate assessment of the outcomes of a company's business particularly if they are external outcomes. This requirement should not be too prescriptive

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)?*

### **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?*

As indicated previously there have to be a number of addenda to this statement, namely:  
- This should refer to providers of long-term capital  
- Materiality should also be determined by which stakeholders are impact by the outcomes of the business model

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

- Many companies do not have formal processes in place to directly identify material matters to the organisation, but they are deduced by the report writers through interview processes with senior executives and directors. As such the requirement to disclose the materiality determination process (3.28) is too onerous.  
- 3.24 ... it should also reflect the organization's ability "to create value over time"

### **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?

By dedicating parts of the report to stakeholder engagement listings and, providing, external assurance as far as that is required

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

3.47 This requirement may prove difficult for many organisations to achieve as it requires disclosing price assumptions that may be competitive information. This assumption should not be prescriptive

### **Other**

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

- For purposes of comparability we would favour the use of software tools such as XPRL but the Consultative Draft should not be prescriptive about these requirements.  
- 3.13 This requirement could prove difficult to meet as it is virtually impossible to quantify the "quality of an organisation's relationships with its key stakeholders"

## 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).

4.11 Showing the linkages between remuneration incentives and value creation is laudible but this requires the disclosure of the performance contracts of senior executives - these are often considered private and not for public consumption thus requiring them under integrated reporting may run counter to local regulations  
4.9 Sensitivity should be shown towards motivating organisation to comment on the political environment of countries in which they operate - this is a sensitive topic

## 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 they should - this is already a requirement in many jurisdictions, including the Johannesburg Stock Exchange

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 IIRC should be cautious about imposing assurance against specific integrated reporting requirements - if at all this should be introduced over a lengthy period of time. However, there is some merit in offering assurance against the integrated report as a whole as long as the criteria are flexible

*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).*

Section 5G: Limiting the reporting boundary to that determined by financial reporting limits its scope significantly. The determinant should rather be the interests of all key stakeholders

## 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?*

## 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?*

- Best practice examples of key principles: some principles - such as the 6 capitals - are difficult to conceptualise. A range of examples from practitioners who do this well will help
- the development of more specific KPIs that are comparable and applicable to all organisations would also be useful

## 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)