

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.

This is a submission of the European Coalition for Corporate Justice (ECCJ). The ECCJ brings together over 250 organizations in Europe working on different aspects of corporate accountability.

The ECCJ welcomes the <IR> Framework and looks forward to its evolution. In view of ECCJ <IR> has tremendous potential to contribute to a paradigm shift with respect to value creation by companies. The ECCJ believes that a market based definition of materiality proposed in the Framework may however undermine this potential. Despite the proliferation of responsible investments and long-term focus, the ability of markets to reflect other values beyond short term financial returns remains for the time being very limited.

Therefore ECCJ strongly suggests IIRC to consider anchoring the definition of materiality on the potential of a matter in question to substantively affect the organization's strategy, its business model, or one or more of the capitals it uses or affects in the short, medium or long term rather than on investors' or markets' likely assessment of such potential.

Furthermore, ECCJ recommends to include in the <IR> Framework an explicit guidance for companies to consider Human Rights consequences of their business in line with recent international consensus on corporate responsibility to respect Human Rights. ECCJ believes it is appropriate to pay due attention to this area because Human Rights represent a minimum set of globally accepted values and the very basis for business social license to operate.

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?*

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?*

The ECCJ believes that such database should include major international standards for corporate responsibility to respect Human Rights and Human Rights due diligence. These concepts have been outlined in the United Nations Guiding Principles on Business and Human Rights that were adopted in 2011 by United Nations Human Rights Council, and the OECD Guidelines for Multinational Enterprises. In addition the database should refer to other authoritative standards that further specify Human Rights due diligence, in particular to the OECD Due Diligence Guidance for Responsible Supply Chains from Conflict-Affected and High Risk Areas.

Although these standards are not *stricto sensu* reporting standards they represent international consensus backed by governments on how companies should evaluate risks of and actual impacts on Human Rights they may cause, contribute to or which are linked to them by their business relationships. In logic of the <IR> provide content for companies assessment how they affect social and relationship capital and in particular their social license to operate.

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?*

In principle - respecting the logic of the <IR> - this approach makes sense. With respect to social and relationship capital it would be desirable to include an explicit reference to corporate responsibility to respect Human Rights. There are two specific reasons for singling out Human Rights, both of them are actually linked to the definition of the social and relationship capital in the <IR>:

- Human Rights represent the universal values we share as global civilization.
- Respect for Human Rights is the basis for social license to operate, in particular where companies operate in transnational context.

The definition of natural capital should be further enhanced to include a general reference to environmental commons in addition to references to air, water, land, minerals and forests. The reference to biodiversity and eco-system health could also mention explicitly habitats and climate respectively.

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

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?*

Yes. But it would be desirable if the very definition actually includes elements of integrated approach. In particular:

- What is approach of a company to adverse impacts of its business. Although addressed in each of the elements of the business model, it would still be appropriate to highlight this dimension at level of general definition.
- How company sees its role and purpose in society and in relation to major social and environmental problems.

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)?*

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?*

The definition of materiality is alpha and omega of the <IR>. It is dangerous to subject assessment of materiality to assessment of management of company of what investors may think about it. There is a growing body of evidence that financial capital is affected by business' policies, procedures and disclosures related to human rights risks and impacts--based on the growing level of investment capital applying socially responsible principles to their capital allocation decisions. In particular, the UN Principles for Responsible Investment now have over 1140 signatories, representing over \$34 trillion in assets under management (or over 15% of global investable assets).

However, the markets and behaviour of companies are still dominated by demand for short term returns. It is not necessarily because individual investors are careless and greedy as they are sometimes portrayed. It is rather the overall framework for financial markets, the structure of incentives and the theory of maximising shareholder value embed in company law and business practice that are to blame for this inability of markets to balance short term financial and other interests.

The definition of materiality suggested in the <IR> does not substantially differ from the existing principles of accounting law. Respecting this definition <IR> Framework may help to defend status quo rather than move markets and companies towards integrated approach.

Therefore we are strongly suggesting IIRC to consider anchoring the definition of materiality on the potential of a matter in question to substantively affect the organization's strategy, its business model, or one or more of the capitals it uses or affects in the short, medium or long term rather than what is investors or markets

assessment of such potential.

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?*

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).*

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?*

ECCJ believes that this kind of requirement would be imperative, to ensure that organizations take the information reported in their IR seriously, and as a recognition of responsibility for disclosures that are intended to impact investors' decision-making processes.

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?

In general, ECCJ welcomes <IR> framework and recognizes its potential to contribute to a paradigm shift with respect to value creation and measurement by companies. The importance of such shift cannot be overstated. The ECCJ believes that a market based definition of materiality, may however undermine this potential. Furthermore, ECCJ believes that IR should explicitly guide companies to focus on Human Rights consequences of their business because they represent a minimum set of globally accepted values.

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. Assessment of materiality – for reasons specified above.
2. Relevance of value creation with respect to capitals that are not owned and that don't necessarily impact company's ability to create value, at least not in short-term, such as eco-system stability, climate, biodiversity, and Human Rights.
3. Description of company's business model and how to address in it company's purpose and role in the society.

Other

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