



## Feedback for Consultation Draft Of The International <IR> Framework

### CONSULTATION DRAFT OF THE INTERNATIONAL <IR> FRAMEWORK

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.

#### 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 response reflects the view of management of GamBond® limited.

GamBond® is creating an alternative way of bridging trust & confidence by guaranteeing the default risks of companies (with Cash, not derivatives nor highly securitised instruments) within well regulated industries on a worldwide basis: In short, GamBond® insure companies that don't fail and will assume the guaranteed firm's outstanding liability should the holding company goes into administration or their well regulated license be withdrawn (after pay out, we will issue a transparent report listing reasons for the guaranteed firm's failure, mistakes made and also the main directors' names).

Hence, the process of integrated reporting is indeed very close to our hearts, but from a different perspective.

We would like to commend the great work pioneered by IIRC (& others) so far, and it is a brilliant first step indeed. Our feedback is specifically regarding the perspective of the <IR> and thus how each verse of the concepts & principles might be interpreted & implemented. As there are many other practitioners involved and a multitude of

standards experts who would be more capable than us in providing detailed feedback, we would like to mainly contribute in key areas that affect viability of companies as a going concerns. As such, GamBond® aim to promote and encourage firms that take long term view and survive and prosper (& do not take short cuts), namely aiming for success in the short term of 5-10years but ideally aiming for longer term of 20+ year goals if not longer.

On that basis our feedback is mainly relating to:

A.) Beyond “*investors only*” view but reporting from *stakeholder’s perspective*, particularly from point of view of “**value creation**”.  
(Firms of course have to make profit, it is a given, but we have seen too many zombie firms, why? If Jack Bogel is indeed correct in his assertion in his book “Clash of Culture” saying that only \$250bn is equity/value-creating and \$33trillion of mainly speculation/“rent-seeking” trades, then, someone like Jack might argue the fact that short term share performance/returns over firm’s long term survival is now the norm. Therefore, should the <IR> report dare to take the ‘brave’ step and assert “value creation” must be from a wider ‘stakeholder’s perspective, not only on capital/ financial return from investor’s point of view, but also business strategy, value chain, incentive etc. it would in fact prevent the existence of most of these dire zombie situations! Please also refer to book by Professor Colin Mayer’s “Firm Commitment” on how he eloquently argued that we have all the ingredients for success but just need to shift them around slightly, particularly, corporations should “focus on what they do and produce, NOT on what they are worth.” “They should be concerned

**Feedback for Consultation Draft Of The International <IR> Framework**

with the quality of their products and quality of life of their stakeholders”. By using <IR> correctly, I firmly believe we can achieve that. )

**B.) Beyond reporting the past** only, the **need for real time “cash flow”** information is paramount! (Transparency is great, given typical 22weeks of annual report preparation for a mid-market firm, with this comprehensive <IR> reporting, realistically how much longer does it take to have the new <IR> report prepared? That is assuming the firm itself or the to-be-hired consultants would be able to understand all the issues and implications covered and have the right answers to be included in the report! In fact with the brilliant details covered by the <IR> process, the management should indeed have a blue print for success once their report is produced! Surely, even UK government is demanding ‘real-time’ PAYE information, every good companies know the real key to the business’ success and survival is their life-blood: namely cash flow. Given how vitally important cash-flow is for any firm’s survival as a company going concern, we are surprised that the wording “Cash flow” is only mentioned four times in the whole of the consultation document. We trust therefore more emphasis should be spent on what is key for the corporations’ success, survival and what might be needed for it to thrive.)

**C.) Material (regulatory, economical) reasons for having The <IR> report** (Like in the telecom world, sadly we observe that there are just too many standards/association now and unless it makes economic sense, it would be difficult to get companies

to adopt them, namely investment justification. Therefore, unless adoption of <IR> is government mandated, or if by reporting <IR> more investors will buy shares (or more B2B/B2C customers will do business with them), it is not likely to convince firms to adopt some might argue an onerous task (the new <IR> report seems on surface might be a lot more comprehensive than even main board listing document!) It is therefore paramount that the <IR> becomes the industry standard, if at least by the signatories’ domicile countries, as only then would the impact of <IR> be felt.)

**D.) Pre-defined ‘Timeframes’, consistent time horizon within and across industries**

(In order for <IR> to achieve its maximum potential and deliver its biggest impact, it needs to take a leap of faith and decides on the timeframes of short, medium to long term (re 5F), and not letting each company/ industry decide for themselves - e.g. the reason why mobile phone tariffs are so difficult to compare is because they are designed to confuse the consumers! Biggest challenge for the capital & financial market now is the mismatch of incentives and time-horizon/goals of the various layers of the financial value chain. We need IIRC’s leadership to get the key definitions for short, medium and long-term ‘time-horizon’ locked down, after proper consultations/ collaborations with the key stakeholders of-course! Please do refer to the various great thought leadership led lectures by Tomorrow’s Company and also the Hermes annual conference & the thought leadership insights by their 300Club.

Feedback for Consultation Draft Of The International <IR> Framework

E.) *Quality AND Trustworthiness* of data: 1.) *Inquisitorial over pure reporting*, 2.) *Quality over quantity*, 3.) *trustworthy over just “trust your word for it”* situations.

(as a lone maverick to the financial sector, our CEO Gareth Wong would humbly submit and to highlight that given the great opportunity posed by <IR> and the fact it is looking at all the input and output and environmental/human capital impacts etc., it might finally be the time to focus on qualifying and quantifying the **“quality and trustworthiness” of the data input** to the <IR> reporting. We have seen how disastrous the situation could be when Greece ‘pulled the wools over EU’s eyes’: elegantly disclosed by Nick Dunbar whilst at Bloomberg, “The Devil’s Derivative”. Therefore, it is now perfect opportunity to take the bull by its horns and integrate the ‘quality’ and ‘data reliability’ into the <IR> procedures. Ofcourse we need to define who should take that task on and what are the benefits or punishments if data provided is incorrect/mis-leading. This was only mentioned briefly by point 3.49, No doubt, the investors/signatories would like to know which are the firms that are ‘telling the truth’ and aiming to do ‘long term’ business, rather than short term build/trick and sell!?)

**F.) True principle AND benchmark based**

(We would like to highlight and support the idea of using principle based reporting but would like to stress how important it is to use quantifiable benchmarks together. However, it has to be very stupid simple and have material effect or benefits for the company should they adopt the <IR>. Indeed, we can refer to the famous quote by Dr. Seuss:

“Sometimes the questions are complicated and the answers are simple.” So far, seems to us no doubt the proposed <IR> will hopefully be further simplified. )

# One very key and important area not mentioned is **strength & tenure of management**. Naturally, <IR> is already ‘self-selecting’, namely bad companies would not look at doing <IR> ! In my humble opinion, my observation is that most senior CEO of mid-market corporations only last between 3-5years (unless they are majority shareholder/founder/family owner), considerations need to be given to how long ‘realistically’ each firm is likely to maintain its growth/viability given the likely change of the leadership. Do not believe for one moment every industry CEO is like Paul Polman or Richard Branson, they are outliers and can run the firms effectively whilst they still have competitive advantage (Cash+Scale & Brand respectively) which like BP & others before, can also lose most advantage overnight if the business and/or its risks are not managed properly. Trust with the arrival of <IR> we can all have a blue print to provide checks & balances transparently.

Yours sincerely

Gareth Wong

Founder CEO  
GamBond® Ltd.