

Feedback on the Consultation draft of <IR> - Wipro Ltd.

High Level / Overall Comments

Objective and Focus of <IR> is “Finance :

Throughout the document, there seems to be an undue importance on the primary users of <IR>, the financial providers of capital. The intended users of <IR> are stakeholders impacted by stocks of all forms of capital – whether internal to the organization or external. Providers of financial capital may be a powerful group, but they are still but one stakeholder. The objectives of other groups, such as customers, the community, employees, governments, and society at large should be given consideration as well.

Approaching Value and Capital accounting:

It is important to clarify that the term “Value” and “Capital accounting” is not done just with a view to further expansion of financial capital. It is easy to assume so due to the over emphasis of the financial stakeholder. The materiality determination (section 5B) for example bases materiality identification on the effect on the ability of organization to create value. So, materiality determination can be a self sufficiency exercise and missing the bigger picture of externalities that are impacted and in turn impact the organization.

Template for reporting organisations

Many of the reporting aspects are covered in various reports like the Annual Report, Form 20F (SEC) and the GRI based sustainability report – though it may not be directly reported as categorized into 6 forms of capital. In the absence of tools and frameworks for organization and external capital creation/impacts a template would be very helpful to aid migration to this kind of reporting.

The finance team (CFO) stakeholders believe that while as the intent of <IR> is on principles-based approach is to maintain flexibility and recognize wide variation and unique circumstances of different organizations – this could cause comparison difficulties between organizations, in different industries and geographies.

Tools for reporting organisations

Non financial capital valuation is not easy for most companies. Even for companies with access to resources, there is a need to provide some sector specific indicators of what can constitute as valid and comprehensive set of indicators for different forms of capital.

Detailed Feedback (Arranged according to the Consultation Feedback)

1. Principle based requirements –add/delete / modify

Current Principles in the Framework

- Strategic focus and future orientation **modify** Organizational Purpose and its Actions to realize the purpose
- Connectivity of information **modify** Comprehensive in coverage and inter-linked across sections
- Stakeholders responsiveness **modify** Stakeholders importance and willingness to accommodate their needs
- Materiality and conciseness –OK; but need to define conciseness in more precise terms
- Reliability and completeness –Ok
- Consistency and comparability -OK

2. Interaction with other reports

- There is confusion between Integrate Report and Integrated Reporting System –para 1.18 refers to reporting system and not Integrated Report; if this para is retained it will not promote Integrated Report
- Para 1.19 –IIRC should define a report that integrates other established reports rather than supplement other reports by adding one more report
- Para 1.20 focus only on providers of financial capital sub-optimal; after recognizing multiple forms of capital to restrict it to one contributor is sub-optimal

3. Online database of measurement methods

- Triple bottom-line concept
- Ethical Investing parameters
- Sustainability Indices

4. Any other comments on chapter 1

- Lacks clarity on who is the basic audience for this report and the benefits obtained by the organization using integrated reporting

5. Do you agree with approach to capital

- It may be better to use the word Resource or Capital instead of Capital –Capital relates to what is enduring, whereas stock can be both enduring and consumable –by doing this coverage of raw materials will be visible and highlighted (challenge of 2.23 and 2.24 will be solved)
- By financial capital we are meaning liquidity i.e. availability of cash and cash equivalents, could find a more appropriate term
- Human capital should include impact on health and well being –for instance night shift vs. day shift; 24 by 7 on call vs. fixed working hours, 40 hour work week vs. 60 hour work week etc.

6. Any comments on Section 2B

- As we are talking of capital, can we require a snapshot or the balance sheet of the firm to be published
7. **Do you agree with the definition of business model? Why/ Why not?**
- The word business activity used in the definition is very broad and does not communicate adequately. Hence we may consider using the revised definition

‘An organization’s business model defines its activities at two levels –(1) At a physical level, the input, process and output, and (2) At a commercial level how it creates, delivers and captures value.’
8. **Agree with the definition of outcomes –why / why not?**
- Internal and external may not be a relevant classification from a stakeholder perspective; In integrated reporting concept, all stakeholders are equally related to the business; hence this distinction may be dropped
 - Decrease of capital is not bad –for instance financial capital decrease may lead to increase in natural capital or human capital or intellectual capital; hence what is needed to be assessed is the balance between the different forms of capital; **this is at the crux of integrated reporting; by viewing it separately we will destroy the essence of integrated reporting.**
9. **Any other comments on Section 2C**
- The reporting boundary question is very important when we use the concept of capital unless we have a clear definition, reports of different organizations will not be comparable
 - In 2.28 (Inputs), the last point on raw materials (natural capital) lays emphasis on explaining the organisation manage security of the components of natural capital to ensure production continuity. These presuppose that organisations need to ensure “business continuity” and “security” resources as an imperative at the cost of impacting access (equity) of other stakeholders. The language needs to change to give a more holistic perspective of the organisations role as stewards of all forms of capital.
10. **Any other comments on chapter 2**
- None
11. **Agree with approach to materiality**
- I would delete the reference to senior management and restrict it to only those charged with governance –the onus must be of those charged with governance to independently assess materiality without being influenced by the senior management
 - Providers of financial capital have a quick exit route, especially in listed entities; hence the focus should be on providers of all forms of capital/ resources
12. **Other comments on Section 3D**
- None
13. **Demonstrate reliability of IIRC**

- By consistent and timely reporting –consistent and timely reporting cannot be done in the absence of internal system for reporting; free from error is a hygiene requirement and hence need not be stated or stated as a basic hygiene requirement of all reports
 - On the need for balance a fixed layout going across multiple years will ensure that balance is achieved as the report has to be consistent without factoring in the performance.
14. **Other comments on Section 3E**
- None
15. **Other comments on Chapter 3**
- Point 3.21 to be modified to remove the tentative wording that organisations “may” choose to report on capitals that are not imposed by law or regulation. The true value of IR can be seen when companies report on ALL capitals material to the organization and all its stakeholders.
16. **Other comments on chapter 4**
- **None**
17. **Governing body to acknowledge responsibility for Integrated reporting**
- **Yes**, there should be a requirement. This will be in the desired attention and focus of the governing body on integrated reports.
18. **Other comments on section 5D**
- Like in SOX a certification that CEO and Chief Sustainability Officer have read the report and certify that to the best of their knowledge there is no misstatement in the report.
19. **Assurance coverage –full report or specific aspects**
- Should cover full report. But the assurers can rely on other auditors/ assurers who have certified parts of it, if they are adequately qualified and independent to do their job
20. **Credibility –assurance providers comments on suitability of framework for assurance engagement**
- Currently the framework does not provide suitable criteria for an assurance engagement
21. **Other comments about chapter 5**
- None
22. **Extent to which framework is appropriate for use by organizations to provide information about an organizations ability to create value**
- Currently the definition of value used by <IR> is vague and may not adequately communicate its ability to create value
23. **Explanatory material on which 3 topics**
- Need explanatory material on the following
 - Value creation
 - Business Model
 - Defining a concise report
24. **Any comments not covered in 1-23**
- None