

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.

We appreciate the opportunity to comment on the Draft International <IR> Framework as we believe this document is an important step for a standardized implementation of an integrated report.

Please find our comments on certain key points of the framework that we consider more relevant and that concern us the most. In particular, the main areas of concern for us are related to the principle-based approach and the legal perspective. Reviewing the exposure draft, it appears that the attempt to balance between flexibility and prescription has resulted in no clear rules which we believe may well result in a lack of comparability between companies and their reports. We believe that greater guidance regarding the implementation of an integrated report would help to achieve the objectives of the framework. In addition, we believe that the legal perspective should be more fully developed, as the exposure draft is unclear regarding the relevant legal implications of disclosures in an integrated report.

If you have any questions on our attached comments, we would be pleased to clarify or discuss them further.

Sincerely,

Veronica James

Head Group Reporting

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?*

In relation to paragraph 1.18 "Interaction with other reports and communication", we believe that there could be potential duplication and consistency issues. For example, there could be inconsistency problems surrounding risk disclosure. Companies should not disclose risks in the Integrated Report that are not disclosed in their regulatory reporting (e.g. SEC form 20-F), as if they do, they may have issues with the respective regulator. On the other hand, not all risks described in the regulatory reporting would be disclosed in the integrated report as the requirements are different.

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?*

Other

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

Reviewing the framework, it appears that the "balance between flexibility and prescription" has resulted in a lack of clear requirements and consequently could result in a lack of comparability between companies and their reports. In our opinion, in general, a principles-based approach requires good knowledge of the relevant topic, but we believe that is most likely not the case for integrated reporting which we consider is

still a relatively new topic for many organizations.

We believe this can create various risks: (i) different companies have different levels of understanding and interpretation, and consequently their application of the principles will vary, resulting in a lack of comparability between reports, (ii) companies may be selective in the topics they focus on, using the report as a marketing exercise rather than an objective communication tool. In addition, companies will have to invest much effort (e.g. time and resources) in translating the principles into concrete requirements.

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 we agree with the concept. It is not clear to us from the framework if companies need to justify their conclusions that certain capitals are not material or whether they will have to present their analysis. Moreover, it is not currently clear how to disclose the capitals that are material for the company and how to disclose, link and interrelate these capitals with the company's strategy. Further guidelines would be beneficial.

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?*

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?

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

Currently there are different concepts of materiality applicable in different contexts (e.g. materiality in financial statements, in sustainability reporting, etc.). In this framework it is stated that: "A matter is material if, in the view of senior management and those charged with governance, it is of such relevance and importance that it could substantively influence the assessments of the primary intended report users with regard to the organization's ability to create value over the short, medium and long term", and that "The primary intended report users are providers of financial capital". Does this mean that companies have to assess and focus primarily on what is material for stakeholders providing financial capital?

The framework does not provide guidelines to explain how to apply materiality; it would be useful to have more concrete/practical guidance on how to assess materiality.

Moreover, key material points and minimum core topics are not mentioned in the framework. A common starting point would be useful to ensure that the main material aspects that are cross sector and relevant for most companies are addressed in an integrated report. For example, all companies have employees, so this could be a common requirement to be applied by all.

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.*

In the framework, reporting criteria against which organizations and assurance providers assess a report's adherence are not explicitly mentioned. Moreover, it is not specified which level of assurance is expected to be applied. Is the assurance related to the process to collect the data or the reliability of the data itself?

Of the data foreseen to be part of the integrated report, certain data are already subject to different levels of assurance (e.g. the remuneration data are normally subject to regulatory requirements and therefore already subject to a higher level of assurance). It is not specified if the level of assurance should be consistent throughout the integrated report or whether it is possible to have different levels of assurance in the integrated report. We would welcome further guidance in this area.

Other

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

Regarding comparability in paragraph 3F, it appears that a sector-based approach would be helpful; the framework is not sector/business/industry specific which, if done, would allow sector comparability (in particular in relation to materiality, specific KPIs, minimum requirements).

Without a sector-based approach companies can focus on different topics and, consequently, there could be the risk that stakeholders will not be able to compare the performance of similar companies. Materiality of the topics can vary from company to company but within the same sector we expect significant similarities.

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?*

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).*

In paragraph 5H concerning aggregation and disaggregation, it is not specified whether the level of aggregation/disaggregation can vary within the document. It is stated that: "Each organization determines the level of aggregation (e.g., by country, subsidiary, division, or site) at which to present information that is appropriate to its circumstances". It is not specified if the company can disclose information at different levels of aggregation/disaggregation depending on the specific topic or whether the level of aggregation should be consistent throughout the whole document. Moreover, it is not clear if some information can be disclosed only in relation to one/some segment(s)/geographic area(s) within an organization rather than all (e.g. if a KPI is material only in one division or in one region).

In paragraph 5I concerning XBRL, it is stated that: "Capturing an integrated report in machine-readable format also allows the intended report users to more easily compare integrated reports of various organizations". We believe that, in order to compare XBRL data of various organizations, a common taxonomy is a pre-requisite. If no common taxonomy exists, it will not be possible for users to meaningfully compare integrated reports with different structures/KPIs.

We believe that XBRL can help improve the comparability of an individual company year on year (assuming that a company is consistent in its disclosure), but question XBRL's usefulness between different companies that are disclosing different information based

solely on their own materiality analyses.

Moreover, since much information in an integrated report will be qualitative rather than quantitative, we believe that further detailed analysis of how to apply XBRL is necessary and made available so that (i) companies will understand how to tag such data and (ii) stakeholders will be able to usefully compare the disclosed information.

Since comparability seems difficult to achieve through XBRL without a common taxonomy, the value added of using XBRL can be questioned.

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?

Other

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

We believe that the legal perspective should be more fully developed in the framework, as the document is vague regarding the relevant legal implications of disclosures in an integrated report. For example when making long-term forward looking statements regarding strategy and the creation of long-term value, a company may make open itself to litigation unless there are sufficient safe harbor provisions surrounding the statements.

The exposure draft does not address whether there are legal consequences of not complying with the framework, nor what mechanisms are in place to ensure the consistency, completeness and accuracy of an integrated report (e.g. in the framework it is not mentioned if and who will assess and verify if an Annual Report contains all the elements necessary to make it an integrated report).