

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.

These answers were prepared during a focus group. We had the collaboration of 7 companies (Natura, AES Brasil, Itaú, Santander, Bradesco, Sulamerica and CSN).

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.*

No. In general all principles-based seems appropriate although they cannot be immediately applied and with the desired depth, especially in the aspects that depend on the measurement of non-financial performance.

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?*

Yes. We do not want that the framework leads to the need of publishing another report, as there are currently many of them. We believe that it can be better applied to reframe directly current stakeholders' communications, which in Brazil it is done obligatory by the Management Report. Moreover, the integrated thinking that underlies the <IR> process has the potential to add concision to the several stakeholders' communications, besides providing a more interconnected picture from various players that affect the capacity of generating value of a company.

Also regarding the interaction of other reports, to merge the two worlds (that is sustainability/GRI and integrated reporting) is not easy but it provides a different view. There are some aspects that are not easy to be calculated, they are monetizable; also, there are other aspects that are measured consistently; but there are some (mainly in the social area) that are more difficult to measure. Nevertheless, the indicators currently used to measure social and environmental performances do not answer completely the integrated report challenge. They need to be rethought. It is necessary to define better metrics.

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?*

It would be important to consider the rules in different countries and markets, such as the Central Bank and Monetary Exchange Commission (CVM in Portuguese) policy, which refers to financial products and services, or the National Electric Energy Agency that regulates the electric sector. Volunteer initiatives, such as The Principles for Sustainable Insurance established by the United Nations Program for Environment – UNEP Financial Initiative in partnership with the global insurance industry, can also provide important information.

It is important to highlight that currently analysis of non-financial performance are very superficial and do not adequately correlate different data, even those released by specialized agencies and services addressed to capital providers. In order to the disseminated information be really useful for decision-making, it will be necessary that the market itself learnt to notice and measure this correlation of data.

Other

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

There is no other comment.

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?*

Yes. The classification in those categories is very clear and it will be a useful reference to ensure a comprehensive approach of the capital employed in the business model. Companies' obligatoriness in informing why they do not measure or disclose certain capital is very important and will give transparency to the process and risks approach adopted by the top management.

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

There is no additional comment.

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. This definition is very clear and complete. However, it is important to highlight that it will be not an easy task to explain the model in a broad and comprehensive way. In some cases, the disclosure will be not possible once it involves strategic information.

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?*

Yes, but there is something subjective in it. Even if we consider only the view of the main target audience of the integrate reporting – capital providers -, we will be dealing with different perceptions of the produced result.

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)?*

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Other

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

We suggest that in the revision of the Framework, the IIRC includes deeper guidelines/orientations about how to manage confidential information and strategies, and explore potential gains from the disclosure of a company's business model to enable a more accurate perception by capital providers about the company's effective risk management.

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 it is top management responsibility to establish business strategy and application of resources, a materiality process defined by this board will reflect the actual administration and direction of business, with clear messages to capital providers that are the integrated reporting main audience.
However, we believe that the good management of risk and opportunities should involve the perceptions of other strategic players, even if indirectly, once those perceptions have the potential to affect companies' capacity of generating value. Those executives who take this into consideration, and together with an active management and transparent disclosure, will be ahead.

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

As materiality should be defined by top management and governance responsible, it is important to give the fully conditions for these people to have a broader and more comprehensive vision of the several factors that influence the creation of value. In order to adopt the integrated thought, it will depend on the information and knowledge exchange between different departments of the same company. The sustainability area, for example, can contribute with relevant information some decision-making process.

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?

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

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Other

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

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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).

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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?

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18. Please provide any other comments you have about involvement of those charged with governance (Section 5D).

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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?*

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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.*

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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).*

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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?*

We believe that it is quite appropriate. However, as it is a new mindset approach/model, it will involve challenges. It is not possible to imagine that companies are able to apply all guidelines immediately, but there is already enough information for a first consistent exercise.

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?*

It would be interesting to see benchmarks of the application of guidelines, especially with regard to the fundamental concepts and materiality.

Other

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

There is no other comment.

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013