

## 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](http://www.theiirc.org)).

**Comments should be submitted by Monday 15<sup>th</sup>, July 2013.**

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Stakeholder group:	<input type="text" value="Other"/>

If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text" value="PwC Poland, Grupa LOTOS, Orange, SBR Polska, Polskie Gornictwo Naftowe i Gazownictwo, Totalizator Sportowy, Fujitsu (FOS Poland), Crido Taxand"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="Eastern Europe"/>

### 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.

As part of the IIRC integrated reporting model consultation, PwC Poland conducted a dialogue session with representatives of different stakeholders such as business, policy makers/regulators, analysts, assurance providers and NGOs. The session took place on 21st May 2013. The hereby document contains comments, thoughts, recommendations and questions collected throughout the duration of the meeting. We do hope that they will contribute valuably into further developing of the methodology.

## 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 additional principles were identified.

### ***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?*

There is definitely value in the interaction with other reports and communications. What might cause a problem is a vast amount of data that needs to be presented in integrated report in regards to the proposed methodology. We might face a challenge in the lack of preparation of the readers (i.e. investors, industry committees ) for the absorption of the information in a form that is broken down into various documents that require linking and prepares of the reports to appropriately prepare and communicate the information. Our recommendations for the Framework is to:

- Give more specific description of the interactions integrated report should use to connect well with other reports and indicate what sort of relation should be made between the financial and non-financial reports (sustainability, environmental) and the integrated reports. How is integrated report to be concise communication and at the same time connect and build on other reports? Is one report a goal?
- Give guidelines for how companies should prepare for changes concerning the implementation of the integrated reporting framework and interaction with other reports. Among others, guidelines should emphasize what IIRC Framework means for companies and how to make the process of reporting more practical:
  - a) the necessity to implement a different date or period for reporting
  - b) improvement of communication, integrating it more often into the company's everyday actions
  - c) a change of mindset from talking about publishing a report into talking about the process of reporting
- the guideline should be more specific, give tips on how to go about change from talking about IR to value creation from IR

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?*

We think it is crucial for the database to contain references to:

- GRI indicators methodology
- recommended IT systems to collect and manage non-financial data
- IT platforms and IFRS/XBRL systems

## **Other**

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

N/A

## **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?*

We appreciate the significance of the presented approach. However we do see a difficulty in its practical usage. We recommend:

- Including thinking about resources, connecting the resources to capitals in the model
- Enriching the model by adding a value chain and showing its impacts
- Making use of the ISO 26000 standard within the model
- More examples are needed

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

N/A

### ***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?*

- We propose a broadening of the definition by a perspective of a sustainable business model
- We see a need of broadening the Framework description by an educational part, which would display how non-financial value impacts generating profits

### **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?*

We see the significance of the of the presented model for showing negative and positive impacts of the organizations activity.  
- We recommend enriching the Framwork by a list of proposed impact measures, which the company should use

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)?*

A challenge of implementing this sort of thinking in the market upon its implementation in companies is the necessity to educate investors about its impact and change in their perception on value creation in the company.

### **Other**

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

N/A

## **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 proposed approach is a challenge and would be a significant change in the approach to external communication and reporting. To address the problem of materiality according to the IIRC recommendations, companies would need to change their way of thinking and increase the quality of management systems, including:  
- implementing a complex risk management system  
- identifying risks in a more strategic way to define not only short term financial/market risks but also long term strategic ones.

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

A detailed approach to defining materiality still remains a debatable issue, it requires defining the approach and practices regarding transparency vs the need to retain confidentiality of strategic data. More detailed guidelines would be helpful.

**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?

In order to provide full credibility of the integrated report, we recommend emphasizing the need to:

- implement internal reporting systems in lacking areas,
- retain cohesion and providing a comparison of information throughout the reporting cycle with clear presentation of reporting changes
- include the dialogue with stakeholders into the reporting process
- conduct analyses whether investor benefited from the information presented within the integrated reporting model
- external verification of IR

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

N/A

**Other**

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

N/A

## 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).

N/A

## 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?

Yes. Within the presented approach, we see a need for practical change in the attitude towards the process of reporting. We recommend emphasizing the role of the CEO and CFO in the process of integrated reporting. Their impact and engagement in the process of integrated reporting should be significant and more strategic than seen so far.

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

N/A

**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?*

Current model does not provide for sufficient criteria for whole report verification especially in terms on materiality analysis that the companies need to perform.

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.*

as above

**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).*

N/A

## 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?*

The Framework is appropriate for use in some extent. It needs to be enriched with more practical examples on how to implement the process and displaying the place of integrated reporting within the organization's development. The Framework does not discuss in sufficient detail the connections between financial and non-financial reporting and their use for IR purposes, and merging it into integrated report and process in regards to the IIRC methodology.

## 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. Indicate practical examples of how to implement the rule regarding the linking of the reports
2. Indicate the place for the IIRC model in regards to present in the market and generally accepted other standards such as CSR (ISO 26000, GRI, Global Impact, OECD, etc.)
3. Forming specific guidelines and practical recommendations on how to show non-financial impact of enterprises (direct and indirect) and links between impacts and also correlation of financial and non-financial impact.

## Other

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

Integrated reporting requires a new process, a new model and a new way of thinking. Showing the impact of sustainable development on the value and business strategy is currently the biggest challenge for companies in Poland.  
In order to enable effective implementation of the IIRC recommendations, we recommend a more detailed display of the integrated reporting model, supported by practical examples of expected outcomes.

Please save the completed PDF form to your computer and submit via the IIRC website at [www.theiirc.org/consultationdraft2013](http://www.theiirc.org/consultationdraft2013)