

CONSULTATION DRAFT OF THE INTERNATIONAL <IR> FRAMEWORK

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.

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

Organization name: BT Pension Scheme
Industry sector: Financials
Geographical region: Western Europe

NOTE: We were unable to cut & paste this Word text into the PDF form and so we are sorry but must therefore submit in Word format.

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.

Through our wholly-owned stewardship services provider, Hermes Equity Ownership Services, we have worked closely with our fellow members of the ICGN in developing that organisation's response and have founded these comments on that document. Where relevant, we have added specific thoughts which build constructively on the comments that the ICGN makes.

- 1. We believe the Draft Framework can help facilitate improvements in the quality and influence of corporate reporting, and the functioning of capital markets.**

If embedded in international reporting and accounting standards and practices, the guidance provided in the Draft Framework can help investors and other stakeholders gain a fuller understanding of a company's business model, underlying strategy, and conditions for value-creation in the short- medium, and long-term. It has the potential to improve the reporting of information that is material to a company's value – such as risks related to changes in natural capital - that cannot be easily discerned from financial accounts. In turn, the increased

transparency would be supportive of well-functioning, legitimate and effective markets, and provide benefits to providers of financial capital and other stakeholders. While we do not think that the IIRC should expand its mandate to the development or selection of KPIs, we think that it would be appropriate for the IIRC to provide more guidance on KPIs, including in particular how companies should think about the balance between comparability (including in particular to sector peers) and appropriateness to their own unique business context.

2. We strongly support the Draft Framework's identification of financial capital providers as the primary audience of integrated reports.

(paragraph 1.6) We believe this is a prerequisite for integrated reporting to influence investment analysis and decisions. This specific guidance helps companies identify the purpose of integrated reporting and how to prepare an integrated report. We also support the Draft Framework's statement that 'information is only included when it is of practical use to the intended end users.' (paragraph 4.16) This reinforces our view that Integrated Reporting is focused on improving the quality and conciseness of corporate reporting. An Integrated Report should be scoped to the interests and expectations of its primary audience, and thereby address the knowledge reader accustomed to reading annual reports and accounts, rather than an uninitiated audience. Notwithstanding this purpose, we believe most of what will be reported in an Integrated Report directed at investors would also be of interest to other stakeholders. Conversely, we believe an Integrated Report not directed at a specific audience will likely be of less value to all stakeholders, including investors.

3. We believe the Draft Framework should explicitly recognise the primacy of financial capital in driving investment analysis and decisions.

The concept of 'the capitals' (paragraphs 2.12-25) is helpful in illustrating the broad sources of value that may underpin the financial performance of companies. We agree that other forms of capital – manufactured, intellectual, human, social and relationship, and natural – can have a significant effect on the ability of a company to sustain value over time (paragraph 2.12), and this should be reflected in Integrated Reports. But the Draft Framework should recognise that investors ultimately look for a satisfactory return on their financial capital. Different forms of capital are not completely fungible; rather, we believe that the other capitals provide essential insight into financial value creation and the risk of financial value destruction. We agree that the primary reason for including the capitals model in the Draft Framework is to provide guidance on scoping, and provide a theoretical underpinning to the concept of integrated reporting. (paragraph 2.19) In other paragraphs, the Draft Framework seemingly presents value creation as an aggregate value of all of the capitals, which in our view is unworkable. (paragraph 2.12) It is simply unrealistic to expect investors to accept unsatisfactory returns on their financial capital in exchange for positive returns on other forms of capitals, as the Draft Framework seems to suggest. (paragraph 2.16) In turn, we recommend that guidance on value (paragraph 2.13), and guidance on performance reporting (paragraph 4.27), is revised accordingly.

4. We believe the Draft Framework should more strongly emphasise the importance of board involvement and external assurance.

The concept of Integrated Reporting should serve to strengthen the accountability relationship that exists between boards and shareholders. Boards of directors are responsible for the establishment of a strategy and policies securing business practices that are consistent with sustainable development, and communicating all matters material to the understanding of how a company creates and sustains value. Therefore, overseeing

an Integrated Report, and the integrated reporting process more broadly, would naturally fall within the scope of Board responsibilities. We believe that stronger emphasis on the role of the board is also important because, in the absence of board-level accountability, it is unlikely that the necessary and sometimes difficult changes to internal processes will be given due priority, thus significantly slowing the transition to integrating reporting. We would recommend that the Draft Framework encourages those charged with governance to provide a statement of compliance with the integrated reporting framework. In our view, this should be mandatory. Board involvement also encourages coherence and cross-referencing between Integrated Reports and annual reports and financial accounts. With regards to quality, the influence of integrated reporting on capital markets is likely to increase if information is viewed by providers of financial capital as reliable, credible, and complete. Therefore, we suggest that the Draft Framework identifies as best practice that the external auditor performs a consistency check for the Integrated Report. To be clear, this is not intended to be a call for a full, separate assurance over this element of reporting, as we think that this would risk significantly reducing the quality of reporting by tying it up in a paper chase; rather, we are seeking a consistency check under the so-called read requirement, under standards such as ISA 720 .

We would recommend adding a detailed, well-designed double page spread that clearly shows the relationship between the <IR> framework's different components.

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.

There are two parts to this answer: presentation and substantive content.

Paragraphs 1.11-1.12 provide a sensible rubric to encourage preparers to follow the framework and will assist users to absorb the information and to make comparisons. In addition to providing them in the context of specific chapters it would be useful to list them in one place for ease of reference so that repetition, as distinct from helpful emphasis, can be more clearly identified.

However, the key question is whether the principles found in bold and italic type throughout the document are themselves sufficient. By and large the answer is in the affirmative, although they can be vague in places, given the heavy emphasis on explanations of business models, risk and value creation over the short, medium and long term with reference to materiality. Without unhelpfully reinventing language and definitions, we believe that there would be significant value in IR adopting generally accepted approaches to these issues, particularly materiality and the business model, so as to elucidate their meaning in the context of an IR report.

We believe that the <IR> framework should clarify that the reporting entity should define the short, medium and long term in the context of its own specific strategy, business model and sector. While there is no single appropriate definition of short, medium and long term, there are certainly inappropriate definitions. Companies should therefore disclose how they view time horizons, as well as a rationale for their approach. This would then provide investors with the basis for dialogue with those companies which they feel are adopting an inappropriate approach.

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 (paragraph 1.18-1.20).

2. Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

Yes and this takes forward the aspiration to integrate rather than simply combine different types of report. It is also about encouraging behavioural change on the part of preparers (and for that matter users as well) in integrating thinking, reporting and analysis. We also agree that reporting should be seen as a dynamic continuous process rather than just as a retrospective snapshot.

On occasions it may be important to update information more frequently than annually, for example through the corporate governance section of the website. While companies need to consider carefully the specific audiences targeted by their different communications channels, we expect a range of channels to benefit from the guidance in the <IR> framework, including analyst presentations and calls.

Alongside the financial report on past performance, the Integrated Report should *eventually* become the principal document that companies in any given jurisdiction are required to publish/ file. By this we mean that the Integrated Report should be the 'front-half', narrative reporting section of the statutory Annual Report in those countries where companies are required to file an Annual Report, Annual Accounts and an Auditor Opinion.. In other jurisdictions it would be the equivalent of the MD&A and corporate governance filings accompanying the financial statements.

We are delighted that IIRC and IASB have signed a MOU. Specifically we note that the IASB's Management Commentary guidance shows significant overlap with what is required under the IR Framework, and in our view it would be worthwhile to explore further to what degree the IR framework and the guidance for the IASB's Management Commentary could be matched.

We recognise, however, that a consistency in the definition of "materiality" and other key terms is an important pre-condition for the consistent application of the guidance contained in the <IR> framework to the implementation of a management commentary (or other similar disclosure).

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 believe that the IIRC's main focus as regards KPIs and measurement should be on the inclusion of more guidance on the use and selection of indicators, including in particular on how companies should balance the twin objectives of comparability and appropriateness.

The IIRC could usefully provide a list of current references, as suggested, but this should not include additional commentary or editing of these sources. Given that this is a fast changing field and there are number of early stage initiatives, we are unsure whether the iirc should seek to keep such a list up to date over time.

A non-exhaustive list might include the following:

International Accounting Standards Board IFRS Practice Statement Management Commentary 2010

DVFA Effas KPIs for ESG (2010)

G4 GRI (2013)

CFA Institute, 'Environmental, Social, and Governance factors at Listed Companies: a Manual for Investors' (2008)

National references

Accounting Standards Board (UK), 'Operating and Financial Review'

Australian Institute of Company Directors & PricewaterhouseCoopers, 'Shareholder friendly report'

Institute of Chartered Accountants in Australia, 'Extended performance reporting: an overview of techniques'

Australian Securities and Investments Commission, Regulatory Guide 247 on the Operating and Financial Review

Australian Securities Exchange (ASX), Listing Rule 3.1 and Guidance Note 8 on continuous disclosure

Canadian Institute of Chartered Accountants, 'MD&A Guidance on Preparation and Disclosure'

Deloitte, 'Added value, long term: non-financial sustainability key performance indicators on their way into financial reports of German companies' DVFA, Germany,

The Norwegian Society of Financial Analysts, 'Recommended guidelines for the reporting of additional information on value creation'

King Code of Corporate Governance for South Africa (King III)

Universities Superannuation Scheme, James O'Loughlin and Raj Thamotheram, 'Enhanced analytics for a new generation of investor'

US Securities and Exchange Commission, 'Management's Discussion and Analysis of Financial

SASB (North America)

Project Delphi (Europe)

The scale of these documents, and the scope of their ambition as many of them seek to develop further, is strong evidence that this is an area where the IIRC should not be seeking to become involved. The sector is complex enough already and needs winnowing, not further additional work.

Other

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

Paragraph 1.3: we believe that it is important to include reference to an organisation's business model in the definition. The discussion on business model should adopt one of the accepted definitions and approaches to the term rather than seeking to generate a fresh definition and approach.

Paragraph 1.5: we think that any description of the IIRC's aim should include a clear reference to "assist companies to better communicate how, over time, they create value; avoid the destruction of value; and transform value creation for customers and other stakeholders into financial value for their investors and other providers of financial capital."

Paragraph 1.9 – 1.10: we think that another explicit objective of the <ir> framework is: to provide guidance to other organisations that define expectations for, and inform the practice of, corporate disclosure.

Paragraph 1.13: we think that the second sentence is an essential point that deserves greater emphasis and repetition throughout the document: "senior management and those charged with governance therefore need to collectively exercise judgement to determine which matters are material." We also think that the definition of materiality should be reviewed from both a functional and strategic perspective. If the IR framework is to inform the development of other disclosure standards, then it is important that the definitions of materiality are, at very least, not considered inconsistent or incompatible. Adopting an existing approach to materiality, rather than seeking to generate a fresh definition and approach, would be advisable, in our view.

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 in principle. This is a helpful model to take forward integration. However metrics are less well developed for some capitals and need to be improved. Subject to this, the stock and flow of capitals provide helpful insight although it needs to be understood that investors will continue to require a satisfactory return on their financial capital.

We note that the use of the term Capital has triggered substantial discussions. Short of suggesting using different terminology for the Capitals other than Financial Capital, we instead wish to comment more broadly on Value. We do wonder whether it is wise for the IIRC to

attempt to create new language to approach the issues it is covering, rather than adopting and building on existing thinking which is already reasonably well understood.

Investors would like companies to report on value creation; how this value is created would be part of the Report but it would not be limited to it. From an investor perspective there is value that the company creates for itself and/ or value that it creates for others of which it then captures a part. Investors are eventually focussed on risk-adjusted returns, and wish to understand how the company increases its value (to shareholders) based on all the different capitals mentioned here. The current Framework presents value creation as an aggregate value of all of the Capitals which in our view is unworkable. Value creation should be presented from the perspective of the primary intended report users and one would not expect all ripple effects to be captured.

The current model does not sufficiently address a company's ability to generate profits and how sustainable its resources are. This would require acknowledging the interaction between the company and the individual capitals. Moreover, it would be essential that companies specifically address the value proposition for the customer.

To be clear, we consider it of vital importance that a company operates responsibly and takes due care of all the Capitals mentioned here; likewise stakeholders (other than shareholders) influence business drivers and their availability.

Whilst we wish to see the development of rigorous metrics for the other capitals it is unrealistic to expect investors to be content to see returns on other capitals as a substitute for unsatisfactory returns on their financial capital. In general though we caution against artificially monetizing eg the impact of certain capitals; we consider it in most cases implausible to create a mono-causal link between one factor and profit.

While we recognise that share-price or return on capital employed are imperfect indicators of long-term value creation, in particular because they do not provide insight into current and future risks, we also recognise that indicators for the other capitals are not and will not be perfect indicators of expected future financial performance. <IR> should help companies to highlight the relationships between the two without expecting them either to aggregate them, or to reduce the emphasis on financial value creation, which is after all – and must remain – the primary interest of the primary intended audience.

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

While we recognise that it would take significant effort to change, we believe that it would be worthwhile considering revising the order of the sections so that the document begins with “value creation”. This must be the core of the objective of the IIRC and of the <IR> framework, and we believe that a clear understanding of what is meant by value creation would help users understand the other fundamental concepts.

We believe it is essential that the ir framework refer more directly and more often to value creation from the perspective of the organisation's customers. The customer, and their interests, are a primary mechanism through which a broader sense of value creation can be transformed into financial value. This includes more reference to “revenues” – e.g. 2.17 the description of financial capital does not refer to the financial capital that a company gets from customers.

We think that it would be useful to include some reference to “competitive advantage” in each of the three fundamental concepts. Most private, for-profit businesses think in the context of

competitive advantage, and most investors look for insights into a company's competitive advantage. This seems like a striking absence at the moment. This is an example of the opportunity for the IIRC to build on existing foundations, making acceptance of its work by more organisations more straightforward.

Paragraph 2.3: we think that there are three elements that provide insight into the relationship between the 6 capitals and the organisations ability to create value: a) the absolute availability of the capital; b) the relative ability of the organisation to access the required quantity and quality of capital; and c) the relative efficiency with which the organisation uses (and develops) the capital.

We think that the ir framework does not give enough guidance to an organisation on the boundary of the ir or on the scope of management information that might be required. E.g. footnote 2, page 12: we think that this example should be deleted or changed. The current example suggests that it may be relevant for an organisation to track information that is beyond its reasonable capacity to collect, and which may well be of dubious value to the organisation. We think that paragraph 2.20 should be revised to state: "it would be impracticable, and indeed unhelpful, for a company to define every possible stock of value. Organisations must consider the appropriate boundary of their ir and the appropriate scope of their management information. As a result, the framework also does not seek to define every possible stock of value."

We do not think that the diagram on page 13 (figure 4) is of much value.

We think that paragraph 2.18 (i.e. not all capitals are equally important to all organisations) should be repeated at the front of the section on capitals.

Paragraph 2.22 should be revised to reflect three elements: a) the absolute availability of the capital; b) the relative ability of the organisation to access the required quantity and quality of capital; and c) the relative efficiency with which the organisation uses (and develops) the capital.

Paragraph 2.23: add reference to the fact that an understanding of who owns (or controls or influences access to) a capital may provide useful insight into the organisations expected future access to relevant capitals, and their affordability.

[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 believe that there are existing approaches to defining and understanding the concept of the business model which the IIRC would do better to adopt, rather than seeking to generate a new language and approach. This is an example of the opportunity for the IIRC to build on existing foundations, making acceptance of its work by more organisations more straightforward. Among other steps, there needs to be some clear overarching purpose of the company that makes it unique. This should not be an overly onerous requirement as all companies should be able to describe their chosen business model. However it can be

complex, so this might not be as straightforward as it appears. Building from accepted existing foundations will make this process easier.

We think that it would be useful to explain more clearly the difference between “capitals” and “inputs”. Our interpretation is that inputs are the specific types / sub-categories of the 6 capitals that are of specific importance to an organisation. If this is not the intention, we believe that more clarity would be useful; again, there may be value in adopting existing approaches rather than attempting to create language and understanding from scratch.

We believe that it would be useful to add the concept of “value capture” to the definition. I.e. “... that aims to create and capture value ...” this is more consistent with the target audience for the <ir> framework, outlined in paragraph 1.10: “private, for-profit companies”.

We believe that it would be useful to add some additional guidance on how companies can communicate the nature of the “drivers” for materiality of non-financial capitals, including in particular in the future. One simple approach would be to refer to: a) scarcity (relative and absolute); b) rules (mandatory technical regulations and voluntary standards); and c) expectations (customers’ vis a vis products and services, and broader stakeholders as regards general corporate conduct).

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 and see also comments above. It is helpful to investors if reporters seek to quantify or, where relevant, monetise these outcomes to the extent that this is possible.

Given the target audience for the <IR> framework, outlined in paragraph 1.10: “private, for-profit companies”, it would be appropriate to refer explicitly to “customers”, perhaps by creating a third element in the first bullet: internal, customers, external. It would also be worthwhile highlighting the importance of value creation for customers in section 2d

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 (Section 4E).

We recognise that this will be particularly challenging for conglomerates that have completely different business models operating across the group.

Additionally, we would suggest including within 4.22 the concept of systemic risks created by the actions of the organisation and its industry. This is an important component of the idea of a sustainable and resilient business model.

Other

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

We would recommend re-focusing the description of “value creation” away from the capitals and onto the stakeholders for which an organisation intends to create value. An integrated report that provides a clear understanding of the business model needs to help a user understand how value is defined by customers, employees, etc... the definition of “value” is not only up to the company.

The section on “value for providers of financial capital” (paragraphs 2.38-2.40) and the section on “the meaning of value” should make explicit and repeated references to the concept of “risk”. Investors are primarily interested in “risk-adjusted financial returns”. An insight into the creation or destruction of other capitals and/or for other stakeholders can provide useful insight into the risks to future financial returns. At the moment there is no mention of risk, something we regard as a significant omission and anomaly.

Paragraph 2.42 should make it clear that the primary intended user of an ir is providers of financial capital.

Paragraph 2.45, third bullet: it would be better to refer to “corporate culture” rather than “values”. Corporate values are one component of corporate culture.

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?

We agree that materiality should be driven by the assessments of investors as the primary intended report users. However, the concept of materiality is complex and goes well beyond the popular but incomplete perception that it must be related to a big number. It will sometimes be a qualitative assessment and about judgement.

Specifically the ICGN's Statement on Non-financial Business Reporting (2008) states that:

“Non-financial business reporting is material if it might reasonably be expected to affect investors’ decisions about the acquisition and sale of shares or the exercise of ownership rights and obligations.” This is closely consistent with the IASB's approach and intent within the existing elements of the conceptual framework.

Issuers cannot be put in conflict with their existing regulatory obligations with regard to materiality. Therefore the IR framework has to be flexible enough to accommodate statutory obligations regarding materiality in different jurisdictions. Using pre-existing language and approaches will assist in this endeavour.

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

We strongly agree with the need for concision set out in para 3.29 and the reduction of clutter. Integrated reporting should not be about the wild profusion of unmanageable data - one reason why we believe it must be used not to add to existing disclosure requirements but to

inform the corporate approach to them. We would note, however, that an investors' willingness to accept concise disclosures is directly related to the level of trust in the reporting entity. Trust can be improved by providing both positive and negative information; by describing the rationale and process for deciding what information has been included and left out; a clear indication of where additional information can be obtained; and, in general, openness and receptivity to dialogue with investors.

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?

We agree with para 3.30 that an integrated report should include all material matters, both negative and positive, in a balanced and reasonable way free from material error. We feel it is vital that reports should give a true and fair view. Transparent disclosure will help to demonstrate this whilst boilerplate disclosure will give much less comfort. See also comments below in relation to credibility (section 5E).

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).

We wish to add 'competence and experience' to diversity and skills of those charged with governance (4.11) because it is about adding value to the Board.

Management remuneration should reflect a holistic view of the company and an approach to managing risk and creating value.

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. Accountability should be at the core of all reporting. Management must account for their stewardship of the assets with which they have been charged, and this starts with a fundamental acknowledgement of their responsibility. Para 5.17 sets out the rationale well. It would be helpful to acknowledge the primacy of investors in this reporting relationship.

We would expect those charged with governance to provide a statement of compliance with the IR framework. In our view this should be mandatory. Moreover, we would expect the external auditor to perform a consistency check (along the lines of the read requirement standard under ISA 720) also for the Integrated Report.

Directors should state explicitly that they have not only ascertained the reliability and completeness of the financial numbers but also of the content of the Integrated Report. There are examples of such requirements already in some jurisdictions such as Australia (Section 299A of the Corporations Act).

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

Hermes have for a number of years partnered with icsa to award the transparency in governance awards (see <https://www.icsaglobal.com/excellence-in-governance-awards/excellence-in-governance-awards-2012>) and it is our experience that the top-rated corporate reports have a narrative thread running through them, communicating all aspects of the company in relation to the business model, broadly understood. Usually they begin with a clear articulation of the business model and how all elements of the subsequent reporting relate to it and to each other - frequently communicated most clearly when complemented with a two-page spread that provides a top-line overview of the report and its components. We would encourage the IIRC to include a specific recommendation to this effect in the <IR> framework.

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?

As clearly stated above, we believe that there is significant value in the auditors performing the consistency assessment as envisaged under ISA 720 (to be more precise, we believe that the newly proposed form of ISA 720 is markedly preferable to the prior version, especially in how it articulates what it is the auditor is seeking consistency with - its understanding of the entity and its commercial environment as gained through the audit process). We are firmly of the view that a more detailed assurance assignment than this risks ducking the value of the reporting as it may introduce an unhelpful paper-trail and compliance-led approach rather than a communications-led approach. We believe that IR will not benefit from a compliance-led approach, not least as reporting entities explore such reporting and develop different treatments of the issues.

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.

See comments above in relation to question 19. IR needs to avoid a compliance-led approach and so this area must be left as flexible as possible.

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?

As companies produce integrated reports the feedback will provide valuable insights into how the framework should evolve. We certainly expect it to be a work in progress for some time.

We believe that a significant amount of the content in the <IR> framework is focused on explaining "what" integrated reporting is rather than "how" to do it. Over time it would be beneficial to consider whether it is possible to reduce the content of the former and to increase the content of the latter. This transition should not be rushed, but would also enable additional guidance on "how" to be added as experience with integrated reporting builds. Given the importance of experience to any further refinement of the <IR> framework, which the pilot project is usefully catalysing, we would not expect the <IR> framework to be reviewed and, where necessary, revised by the IIRC in less than two years from date of publication.

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. Linkages between the IR Framework and existing disclosure frameworks
2. Database of good practice examples, not necessarily full reports but components/ sections thereof. Perhaps these could be most successfully compiled - and have most traction among other reporters - if they were collated by a collaborative working group of investors and companies.
3. Expected involvement of the Board in the process of integrated reporting

Other

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

With regard to paragraph 1.1.2 on page 8 we wish to highlight that the requirement to indicate what information has been omitted and why can be in breach of regulations. Any explanations should be limited to material information.