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To all whom it may concern,

RE: Draft of the international IR framework

I am a doctorate student at the University of Huelva in Spain. My main research interests are digital reporting and transparency, social media, stakeholder engagement, corporate social responsibility and CAPTology (computers as a persuasive technology). I am working under the supervision of prof. *Enrique Bonsón* (bonson@uhu.es) who is a professor of accounting at the University of Huelva, editor of The International Journal of Digital Accounting Research, president of the New Technologies Commission at the Spanish Accounting Association (AECA), and vice president of XBRL Spain. I am pleased to provide you with the comments summarized below.

Most of the suggested guiding principles and content elements are well discussed throughout the guidelines and appropriate in terms of the main aims of the IR. Definitions of the capitals, business model, etc. are considered to be comprehensive, consistent and sufficiently elaborated. Thus, our attention is turned to some points regarding the interactions with other reports, comparability, and credibility of IR. Therefore the following paragraphs deal with those issues.

Interaction with other reports, comparability

The Framework does not prescribe specific indicators or measurement methods to be used in an integrated report in order to avoid duplicate content and aims only to complement material developed by established reporting standard setters. In this point I slightly disagree. In my opinion, some specific indicators together with measurement methods should be developed (at least crucial ones in order to enable the comparison of the main financial, social and environmental indicators between the companies across jurisdictions). The emphasis on harmonization should be crucial as it is expected this IR to be adopted globally. Hence, a set of dialogues with standards setters should be initiated to define which indicators of IR will be required. It is also worth mentioning that this “tailored IR framework“ does not have to be exhausting such as GRI standards (with more than 80 indicators). Such a framework (with crucial financial, environmental and social indicators) developed by IIRC and tailored for IR (e.g. applying embedded XBRL taxonomy) would enable 1) an easy comparison of the companies’ performance across different countries 2) to see a wider context of possible causes and impacts of particular indicators. Thus, a better understanding and insights of the real company’s value as well as a simple comparison would be possible. To create such a concise tailored framework IIRC could initiate a dialogue with standard setters (including e. g. GRI) together with the organizations such as XBRL and the content of indicators could be based on the already defined content elements (those with a quantitative character). The most important point is that it will be unified and required to use in all IRs around the world (of course some industry specifications might be considered).

At this point I would like to highlight an interesting initiative of AECA. The Spanish Accounting and Business Association (AECA, Asociación Española de Contabilidad y Administración de Empresas) has developed an XBRL taxonomy for Integrated Reporting (IS, Integrated Scorecard), proposing a set of key performance indicators (KPIs) for the financial, social, environmental and corporate governance behaviour of companies. The use of the taxonomy is intended to promote comparability among companies, to increase corporate transparency and research in the field of Corporate Social Responsibility (CSR), in accordance with the requirements and proposals of the International Integrated Reporting Council (IIRC).

AECA’s Integrated Scorecard belongs to the acknowledged taxonomies recognised by XBRL International as being in compliance with the XBRL Specification. This taxonomy was first internationally recognised in December 2007, and was known as RSC Taxonomy for Corporate Social Responsibility. The updated version known as RSC – CCI Scoreboard for

Corporate Social Responsibility Taxonomy gained XBRL approval in June 2010 and the current version, IS-FESG Integrated Scoreboard Taxonomy, was approved in April 2013. This acknowledgement gives the AECA's IS international merit.

Thus, AECA's IS provides quite a comprehensive set of indicators responding to the needs of integrated reporting (with a reasonable number of indicators) which belong to the international XBRL standards and Spanish companies listed in IBEX35 are required to report against this framework. Therefore we suggest something similar could be developed on a global level.

Another important point is related to the nature of indicators. Qualitative indicators cause difficulties in comparison and some of them are even impossible to analyze effectively. Therefore an emphasis should be put on more concise and quantitative indicators. Nevertheless, narrative explanation is important but should be connected to quantitative disclosure. Therefore an embedded standardized digital file (XBRL) could effectively connect narrative explanation with quantitative data.

Current version and intention of IR (to be a complementary tool for other reporting standards) is already a big step forward but IR itself has indeed much bigger potential. Undoubtedly, an integrated report will, necessarily, vary from one company to another as each company will describe its own unique value creation story differently. But to enhance comparability data disclosed in IR could be provided in a standardized digital file (XBRL) based on electronic tags for each individual item of data. Additionally, this specific XBRL tags should be embedded into the IR. This way an automated processing of business information by computer software will be enabled (helping also to decrease the complexity of information) and narrative explanation of a quantitative item will be provided within a text in IR.

Credibility

Companies can use their internal mechanism to assure that complete and reliable information is included in an integrated report or they may seek an external assurance to enhance the credibility of their reports.

Although, the Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence; it does not provide the protocols for performing assurance engagements. This might be seen as a weak part.

To increase credibility of disclosed information an independent third party verification should be provided (this should not be left on a company's decision once it engaged in IR). Currently

there is no rigorous methodology to assist the assurance provider to verify the quality of information in sustainability reports in general. Especially attestation of social data might be a tough goal for assurance provider.

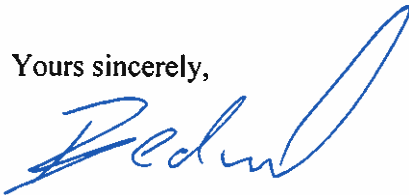
Third party assurance is one of the key quality elements of any sustainability report but some argued that the rise of auditing in this area has its roots in political demands for accountability and control and that the new demands and expectations of audits are not in synchronization with its operational capabilities. There are some standards that are considered to be the most important ones when it comes to sustainability reporting such as standards issued by: IAASB (ISAE), AA (AA1000AS), NIVRA (COS341ON) SAI (SA8000). Assurance firms may use the standards issued by those institutions but we have to keep in mind that sustainability assurance practitioners are a disparate group of organizations who adopt different assurance methodologies, some of which are proprietary.

This different approach and a lack of rigorous methodology how to assess the reliability of social and environmental information may lead to a decreased credibility of information provided.

Thus, in our opinion there arises a challenge for IIRC to make a third party assurance mandatory and develop a particular guidance and methodology for assurance providers how to assure the information provided in IR.

Additionally, it can be recommended to provide the list of benefits experienced by the real companies signed up for the pilot program (this could serve as an incentive for other companies to adopt IR) together with the results of the IIRC's pilot program as a whole.

Yours sincerely,



Michaela Bednárová