

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

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

Organization name:	<input type="text" value="Sustainability Advantage"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="North America"/>

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.

I am excited about how integrated reporting can change the game of business. To change the game, we need to change the scoreboard. That's what integrated reporting has the possibility of accomplishing. Why?

What gets reported gets measured.
What gets measured gets managed.
What gets managed gets imbedded in executive's mindset.
Integrated reporting breeds integrated thinking.
Better reporting breeds better business.

Let's ensure that it happens!

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.*

They are fine.

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, although I think it would be beneficial to more explicitly link to other "ESG" and "sustainability" standards. Rather than differentiating IR from these other efforts, show how IR synthesizes and harmonizes them.

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?*

GRI, GISR, and B Lab's GIIRS.

Other

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

It might be helpful to position an integrated report as a new, short report that connects the dots between financial reports and other other sustainability-related reports. It helps stakeholders see the financial "so what" of ESG efforts, and how they mitigate impending risks from global sustainability megaforces. As you say in several places in the draft, integrated reporting promotes integrated thinking.

However, we need to be careful that we don't raise expectations that >IR> will mitigate reporting / survey fatigue, at least not at first. It has the potential to do that later, but only after it is recognized as being a credible replacement for today's incarnations of financial and sustainability reports.

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?

For a capitals-based approach to reporting and business models, we need better guidance on the metrics for the six capitals. We know how to monetize Financial and Manufactured capital. Depending on what we include in it, we are okay with quantifying Intellectual capital, although I think much of what you show under Intellectual capital belongs within Human capital. We need more guidance on quantifying Human, Social, and Natural capitals. Without that guidance, how would a company assess how its operations have added to, or subtracted from, these capitals? There is a strong implication that the six capitals should be included in balance sheets, but that will never happen unless we can agree on how to quantify them. We don't want companies to undertake integrated reporting only to throw up their hands in despair when they attempt to find credible metrics for their human, social, and natural capital baselines. Will there be guidance on their metrics?

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

Metrics will be a show-stopper if we can't provide guidance on Human, Social, and Natural capital quantification.

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?

Because of its popularity in business circles, it might be good to bridge from the "Business Model Generation" elements and language (see <http://www.businessmodelgeneration.com/canvas>) to the IR depiction of a business model. Those linkages could be shown in section 2C and / or section 4E.

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?*

It's fine.

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)?*

I like it's emphasis on value creation.

Other

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

In the interest of harmonization, it would be helpful if there were an easy way to see how IR principles echo GRI and GISR principles, especially Sustainability Context.

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?*

It is great.

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

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?

It must have a third party audit / assessment.

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

Other

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

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).

I am a bit surprised that feedback on each for the section 4's subsections is not being solicited.

Sections 4C: Opportunities and Risks and 4F: Performance are the two most important sections of the whole report. It is where the dots get connected between company attention to ESG factors / issues and how they benefit financial results. It is where integrated thinking happens.

Companies need good guidance on how to approach this. I humbly suggest that one option is to use a reporting framework that is aligned with my business case for sustainability framework, as described in my 2012 book, "The New Sustainability Advantage." The free, open-source business model simulator on my website (<http://www.sustainabilityadvantage.com/products/worksheets.html>) helps calculate the bottom-line Financial value of paying attention to Human, Social, and Natural capitals. It also monetizes 14 potential risks of not doing so. My framework is really a framework for integrated reporting, cleverly disguised as a business case framework.

I know you have chosen to be principles-based rather than rules based, but I think suggesting these kinds of reporting frameworks would help companies tell a more powerful story without having to reinvent the wheel.

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. Board oversight is a sign of good governance.

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?

This is the company's integrated story and may evolve to being its most important (only?) report. It needs to radiate rigor and credibility. Third party validation / assessment is essential for its credibility.

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).

I think Section 5G should more strongly encourage / acknowledge company accountability for the life cycle impacts of its products and services throughout their value chains. These extended boundaries are now incorporated into GRI G4 and will be in GISR. It would be good if IR stressed this new accountability, as well.

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?*

I love the IR concept. It is long overdue. Using capitals as the business model framework encourages the accounting profession to roll up their sleeves and help.

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?*

I think you need to provide optional guidance / explanatory material to companies on 1) appropriate metrics for the six capitals and 2) the framework for reporting performance on its opportunities and risks. Another idea is to 3) draft a generic sample report of Company X that shows how a typical company's story might flow through the reports' sections. Otherwise, the samples on the IIRC website of companies' efforts to produce integrated reports are in danger of being interpreted as model approaches, whereas most of them are integrated reports in name only.

These explanatory materials can be offered without being prescriptive, and would show how a typical company could and should track its ESG performance. Otherwise, I am uneasy that willing companies will give up, or produce such lame reports that the whole idea of integrated reporting will get a bad reputation as just being more window dressing for companies that don't truly "get it" on sustainability.

Other

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

Thanks for making this form available after your deadline. Sorry I'm late.

It is important to all us that integrated reporting gets traction in the business community. My suggestions are intended to help increase that possibility.

If you would like to discuss any of the above suggestions more, I'd be happy to.

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