

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:	<input type="text" value="Mario Boella"/>
Email:	<input type="text" value="presidente@assirevi.it"/>
Stakeholder group:	<input type="text" value="Professional bodies – Other"/>

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

Organization name:	<input type="text" value="ASSIREVI"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="Western 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.

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.*

- The "principles-based requirements" defined in the Framework are almost entirely satisfactory for current purposes. However, approval of the Framework should be followed by the publication of specific explanatory documents about the Guiding Principles and the Content Elements. Such explanatory documents about the reporting process would assist consistency between the disclosures provided in the various Integrated Reports ("IR").
- The "Materiality and conciseness" principle should be presented as two different principles in the current version of the Framework. In addition, the "conciseness" principle should be defined in more detail and should refer to exclusion of just the "non-material for investors" issues rather than the degree of conciseness of the IR.
- The "balance" principle should be analysed to a greater extent and included as a separate concept like the other Guiding Principles. This principle is fundamental to ensure a "balanced" presentation of the preparers' performance.
- Reference should be made to ISAE 3000 (International standard on Assurance Engagements 3000-Assurance Engagements Other than Audits or Reviews of Historical Financial Information) for assurance-related terms.

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?*

As indicated in paragraphs 1.18 and 4.4, the Integrated Report should be a clearly-identifiable, standalone, concise report which may include links to other specific corporate documents (e.g., annual reports, corporate governance reports, sustainability reports, etc.). Moreover and considering that set out in the King Report III on Corporate Governance prepared by the King Committee on Corporate Governance in 2009, "Integrated reporting means a holistic and integrated representation of the company's performance in terms of both its finances and its sustainability. This can take the form of a single report or dual reports. The emphasis is on substance over form and integration should not be reduced merely to the manifestation in physical terms of one or more documents. While a truly integrated report should be presented in one document, it can be presented in more than one document. If the integrated report encompasses more than one document, the documents should be made available at the same time and disclosed as an integrated report".

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 are in favour of creation of such a database. Some possible references could be the "Sustainability Reporting Guidelines" prepared by the Global Reporting Initiative (GRI) and the "KPI Reports" prepared by the World Intellectual Capital Initiative (WICI).

Other

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

The requests and information requirements of the principal addressees of the IR (i.e., the investors) should be clarified and defined in greater detail.

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 agree with this approach. The definition of intellectual capital should be consistent with that set out in the relevant studies performed by international organisations about this issue (EU and OECD).

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

More information should be provided about how to present the various categories of capital. Explanatory documents could be prepared for the different sectors including practical examples and greater details.

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 agree with this definition. However, it would be helpful to provide more information and examples of how to apply the business model to specific sectors, possible in a separate document. This would facilitate adoption of the framework by preparers and assist comparability of reports.

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 agree with this definition.

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)?*

Other

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

The database of examples/case studies provided on-line about the various applications of the Framework could be expanded to assist organisations with their disclosures and ensure the comparability of the documents prepared.

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?*

In principal, the concept of materiality is similar in the different reports prepared by companies. However, the calculation method and presentation of its measurement may differ. We agree with the definition provided in the Framework but it should be emphasised that the viewpoint to be used when defining material issues is that of the investors. It would be useful to publish a survey on the issues deemed material in the main sectors by investors. Although the concept of materiality in the IR is mainly firm specific, a document following the Framework could set out material issues for the various sectors. This would aid preparers with their disclosures and would ensure comparability among the various IRs (for example, the "Industry specific" document published by the SASB - Sustainability Accounting Standards Board" and the documents produced by the GRI on the definition of material issues for various sectors).

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

The consistency with the other existing methods (e.g., GRI) should be checked to facilitate preparers' reporting 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?

All the identified aspects are relevant.
The board of directors should regularly check the effectiveness of the internal reporting for IR reporting purposes (as required by the Framework) and the related internal controls. Non-financial information published in the IR should be subjected to the same internal control level required for financial reporting.

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

More information about the issue of commercial sensitivity set out in sections 3.42 and 3.45 should be provided.

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).*

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?*

The governance body shall be responsible for the IR and should ensure that the reporting system complies with the guidance given in the Framework and that adequate internal controls exist.

Given the scope of the document, aimed at investors, it could have section headings similar to those of the specific statements required by, for example, SOX 404 or the Italian Law no. 262/2005. This would increase the awareness and accountability of the report, data credibility and involvement of the governance body. This aspect depends, however, on the various national legislative requirements.

The IR should be subject to the same approval/responsibility definition procedures as financial reports (e.g., board approval, presentation to shareholders, etc.).

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?

Pursuant to ISAE 3000 and current practice about assurance of non-financial information, an assurance report may be issued on both specific indicators/aspects and the IR as a whole. The type of assurance that proves greater value (value usable) to the users is assurance of the IR as a whole.

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.

Suitable criteria are not sufficiently dealt with in the current version of the "Draft consultation about the IR Framework". Assurance may be provided when the information documents described in reply 1 are prepared and the principles of "Conciseness" and "Balance" are defined better (see our earlier comments). Assurance work includes checking that the information provided in the IR matches that in other documents subject to external assurance audits (e.g., sustainability reports, annual financial reports). The preparers should provide detailed disclosures of the calculation methods adopted for assurance about specific KPIs (e.g., in the reporting approach section).

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).

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?*

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?*

Other

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

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