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: | Anne-Leonore Boffi

Email: | boffi@wbcsd.org

Stakeholder group: | Report preparers

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

Organization name: | WBCSD

Industry sector: | Industrials

Geographical region: | 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.

The WBCSD in cooperation with BCSD Portugal held an Integrated Reporting workshop on 24 June 2013 in Lisbon for the purpose of soliciting feedback from businesses on the Draft Consultative Framework issued by the IIRC on 16 April 2013.

The workshop was attended by 20 participants representing the following companies and service providers:

- Ana Aeroportos
- Comboios de Portugal
- Consulai
- CTT
- CUF
- EDP - Energias de Portugal
- GALP
- Grupo BANIF
- KPMG
- Planbelas
- PT
- PwC
- REN - Redes Energéticas Nacionais

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.*

Participants did not feel the need for adding or removing principles-based requirements

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?*

The framework was recognized as a good first step but with need for improvement to become more tangible / practical. One way this could be achieved could be through increased coordination with others in the reporting field e.g. GRI, CDP and the national accounts reports (they also mentioned COSO for the risk dimension). Links to other kind of reports MUST be established.

Participants felt a potential tension / dilemma between the conciseness requirement and the objective of providing a holistic vision of performance. The integrated report should not duplicate information contained in other reports but could be seen as an umbrella document connecting pieces of the puzzle.
Clarify how GRI and IIRC fit together.

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, CDP, ISO, International accounting reporting standards, COSO, DJSI, SASB

Other

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

Participants suggested to change from stakeholder 'responsiveness' to 'engagement' as a way of emphasizing the importance of a 2-way dialogue. How was the feedback from stakeholders addressed? How effective is the relationship model with your stakeholders (measure / quantify) – how do you assess its effectiveness (is the stakeholder perceiving the company's engagement as effective?)

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?*

Agree with the structure – systemic approach
Covers majority of the drivers – it was seen as helpful for risk assessment
However, the visual conveys the idea that all capitals are as material for all companies which is not the case.
Suggestions made include:
- connect the capitals to value chain and show how different capitals impact and/or are impacted depending on specific value chain stages
- suggest indicators and how to measure them (protocols) per capital that could be taken into consideration
- present on a more sector logic / profile (relative importance of capitals)
Finally, participants raised the double-counting risk around the human related capitals.

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

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?*

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?

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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)?

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Other

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

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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 approach to materiality needs to be more specifically defined - it needs to be informed by key stakeholders' input on what they perceive as important issues the company should be addressing. Participants felt the need for a form of "standardization" to happen on materiality assessment including some harmonization with the appraoch suggested by GRI.

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

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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?*

- Guidelines on external assurance of IR (work with AccountAbility for example).

- Transparency on the data collection process

- A question raised was: Who decides when an issue becomes material to a company? Does that need to get audited?

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).*

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?*

Statement could strengthen the commitment to integrated reporting (commitment from the top) – helpful but not essential

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?*

Assurance should cover the whole report given that the scope is narrowed to what is material

Participants underlined that a lower level of assurance of the data would be required if IR connects information from other assured reports

It was observed that as of today it would not be possible to assure that the report is an IR according to the framework (lacks concrete actions and processes which need to be followed under each principle – a sort of checklist)

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).*

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?*

Participants emphasized the following benefits from IR:
- Integrated management (breaking silos) and communication in a single document
- Reporting on material issues
- Risk identification and assessment

The meaning of short, medium and long term perspective could be sector dependent and would benefit from further elaboration.

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?*

- List of indicators per capital
- Better definition of materiality
- Accounting for externalities methodology / valuation – how does it relate and guide to existing methodologies?

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