

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:

Email:

Stakeholder group:

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

Organization name:

Industry sector:

Geographical region:

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.*

We believe that the audience for the IIRC framework is all stakeholders, not just providers of financial capital, for the following reasons:

All stakeholders would be interested in the content of an integrated report, and if a significant portion of the value of the company is derived from goodwill, reputation, etc., the focus on providers of financial capital will likely result in reports that place too much emphasis on one form of capital (financial) at the expense of the other capitals.

The integrated reporting framework should be able to be used by all companies - public or private, small, medium, and large. We believe that the exclusive focus on providers of financial capital is shortsighted, since there are many more small- and medium-sized enterprises that are privately held and have other key stakeholders besides the providers of financial capital.

For example, employees are important stakeholders and pay attention to corporate responsibility issues, including how their employer acts as a good citizen.

Investors do care about environmental, social and governance (ESG) criteria as reflected by the sustainable stock exchange initiative, mandatory sustainability reporting on stock exchanges, and legislation (e.g., Public Services Social Value act in the UK). The French Grenelle II law, which requires sustainability reporting for certain large private corporations, is an example of legislative recognition of the importance of sustainability reporting (and affected stakeholders) beyond the context of publicly traded companies and their sources of financial capital.

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 described in question 1, the audience should include all stakeholders, not just providers of financial capital. Other than the last line of 1:20, we agree with the content in section 1:18 through 1:20.

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?*

References should include GRI, SASB, and ISO.

Other

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

Section 1 and other parts are still very technically written, which gives the document more of an academic instead of a hands-on feel. While we understand it is a consultation draft for public comments, it does not really flow smoothly. We found ourselves constantly going back and forth to refer to other sections, etc. We appreciate that the document wants to allow flexibility and does not want to be over-prescriptive. However, we are unclear as to whether this document is intended to be complementary to existing materials and frameworks or whether it is to map a new way forward for

companies.

The framework is very dense and theoretical and could be a challenging read for busy executives or corporate executives who are new to the space. The report seems like more of a white paper on the theory of IR, versus a framework for application.

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 the approach to the capitals. However, there needs to be additional clarity on how people can measure the human, social, natural, and intellectual capitals. Benchmarks on the capitals will vary by industry, but there needs to be some level of comparability. Through SASB and GRI and ISO, there is ongoing work around these issues. While we understand the IR framework does not address benchmarks and KPIs, a synergy must evolve between these ongoing efforts so that reporting companies have a consistent framework for developing a report with comparable indicators.

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

No additional comments

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 the definition of a business model.

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 the definition of outcomes.

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)?*

A long-term approach for the IR framework makes sense for materiality and disclosure. However, comparable metrics for the 6 capitals have to be clear in order to measure progress around them. There does not yet seem to be a consensus on how to measure

them, but the work by SASB and the GRI's G-4 is helping to address these issues. The IR framework emphasizes discussion about risks and opportunities and the future, but some companies may be hesitant to disclose information out of concern of giving away too much.

Other

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

No additional comments

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?

As described before, we believe that the audience should be all stakeholders, not just providers of capital. Section 3C focuses on stakeholder responsiveness, reinforcing the importance of all stakeholders as audience members. Transparency, responsiveness, accountability, and engagement as described throughout this section are important to all stakeholders, not just providers of financial capital.

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

No additional comments

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 that integrated reporting should include the disclosure of positive and negative outcomes, without bias in the selection or presentation of the information. While assuring the reliability of information is important, there must be a comparability of metrics and definitions. Requiring a statement from those charged with governance for an integrated report would make sense once comparability has been established. An interim suggestion would be to turn to areas where standards already exist, such as the Carbon Disclosure Project. Companies providing integrated reports should include an assurance statement from an independent, external assurance company.

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

No additional comments

Other

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

No additional comments

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).

No additional comments

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?

Until issues described in responses to questions 22 and 23 are addressed, the current acknowledgement practices are sufficient.

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

No additional comments

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?

Please see response to question 13.

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.

No additional comments

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).

No additional comments

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?

The IR framework provides an important contribution in the evolution towards a more sustainable world through the leadership of sustainable companies. The one-report framework for reporting financial and non-financial information is key to the future success of companies in a world of shared value. Integrated thinking, applying the 6 capitals, and determining trade-offs to reach positive outcomes (and minimize negative ones) will assist with the creation of short-, medium- and long-term value for companies. A number of trends, including sustainable stock exchanges, the investor network on climate risk, legislative mandates, SASB, and GRI all are occurring coincidentally with the IIRC initiative and are shaping integrated reporting as the way of the future. However, a number of issues need to be clarified, and all of these movements must work collaboratively and synergistically to get to the finish line.

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?

Three priority areas include clarity of definitions, comparability of metrics/KPIs, and materiality.

Other

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

The framework could be improved and ease adoption by corporations by providing clearer guidance on how a company can develop an integrated report. The framework should reference the IIRC library which provides examples on how a company can put the framework into practice. It would also be helpful to discuss a process for developing an integrated report, including how to convene the right people and align capital in order to stimulate integrated thinking. Perhaps there could be examples in the text as an appendix, using examples in the IIRC online library.