

## **Consultation Draft of the International (IR) Framework – NAB Feedback**

### **Chapter 1 -Overview**

**1.Should any additional principles-based requirements be added or should any be eliminated or changed? If so, explain why.**

Whilst NAB is supportive of a 'principles based' approach to IR, if such principles were in the form of 'requirements' then it may well lead to reports that are lengthy. A more flexible 'principles based approach' (as opposed to 'requirements') will allow companies to explain why they have not adopted a particular position

**2.Do you agree with how paragraphs 1.18 – 1.20 characterise the interaction with other reports and communications?**

We generally agree that the Draft Framework has been (and should be) developed to complement existing reporting and that the intent was not to create more onerous reporting. We suggest that further clarification is provided on how the IIRC sees 'analyst calls' and 'organisation's website' aligning with the IR process.

**3. If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting setters and others which references should be included?**

As the Draft Framework proposes to complement existing reporting, caution needs to be exercised to ensure that any references/indicators/measurement methods that are included are simply provided for further information rather than creating a new or quasi reporting requirements or standards.

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

No further comment.

### **Chapter 2 – Fundamental Concepts**

**5.Do you agree with this approach to the capitals? If not, why not?**

The Draft Framework acknowledges that it is impossible to define every possible stock of value exclusively and exhaustively. So, whilst we generally agree on the approach we would recommend further flexibility on the applicability of this section – specifically we suggest that the requirement to disclose why certain capitals are 'immaterial' is overly onerous.

**6. Please provide any further comments you have about section 2B?**

No further comment.

**A business model is defined as an organisation's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term.**

**7.Do you agree with this definition? Why/why not?**

Nothing to add.

**Outcomes are defined as the internal and external consequences for the capitals as a result of an organisation's business activities and outputs.**

**8. Do you agree with this definition? Why/why not?**

Nothing to add.

**9. Please provide any other comments on Chapter 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (Section 4E) that you have not already addressed by your responses above.**

As a general comment the Draft Framework is more easily applied to manufacturing industries rather than service based industries, specifically the business model section and several examples throughout the Draft Framework. We recommend that a service based industry 'lens' is applied to the entirety of the Draft Framework to ensure that it is equally balanced.

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

No further comment.

### **Chapter 3 – Guiding Principles**

**Materiality is determined by reference to assessments made by the primary intended report users. The primary intended reports users are providers of financial capital.**

**11. Do you agree with this approach to materiality? If not, how would you change it?**

We view the additional information included in the Draft Framework on materiality and the process required in order to determine the material issues as very useful. However, there remains some tension between the materiality approach adopted for the purposes of the Draft Framework and the definition of materiality applied by other standard setters (including for example, our continuous disclosure regime and regulatory requirements around our risk disclosure.) We request further guidance on how to balance the use of terminology and its differing applications across different reporting regimes.

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

No further comment.

### **Reliability and Completeness**

**Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance.**

**13. How should the reliability of an integrated report be demonstrated?**

We agree that robust internal reporting systems, appropriate stakeholder engagement and independent, external assurance enhances the reliability and completeness of disclosures.

Education of employees around data collection and its importance will assist in data veracity as will the availability (and use) of appropriate technology. Whilst education and technology may well result in additional costs for organisations, the reliability of the subsequent data and the IR can only be enhanced.

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

No further comment.

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

No further comment.

**Chapter 4 – Content Elements**

**16. Please provide any comments you have about Chapter 4 that are not already addressed by your response above.**

The Draft Framework states that it is intended to complement material content that has been developed by already established reporting standards and does not intend to cause duplication. However, the Draft Framework requires disclosure of financial and non-financial information which is, duplicated from existing audited reports. We recommend that the IR Framework clarify that duplication in respect of this information is supported and appropriate.

**Chapter 5 – Preparation and Presentation**

**Section 5D discusses the involvement of those charged with governance and paragraph 4.5 requires organisations 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?**

No. At this stage we do not support the inclusion of a statement by an internal governance body acknowledging its responsibility to ensure the integrity of the integrated report. The document is already assured by an external third party. The additional overlay of a statement of responsibility seems both duplicative and unnecessary.

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

No further comment.

**The Framework provides reporting criteria against which organisations and assurance providers assess a report's adherence.**

**19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why ?**

National Australia Bank currently has a 'limited assurance engagement' process provided for the Report (which includes the Annual Review and Dig Deeper Papers) by Ernst and Young.

We have no further comment on this section.

**20. Please provide any other comments you have about Credibility.**

Nothing to add.

**21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above**

In various forums, the IIRC has recognised that Australia is particularly concerned with this content element and more so than other regions. If so, it would be beneficial for the IIRC to provide guidance on how other regions have been able to successfully address this element without exposing directors' to potential liability, and /or what legislatives carve outs they have relied upon.

**Overall View**

**22. Recognising 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 organisations in preparing an integrated report and for providing report users with information about an organisation's ability to create value in the short, medium and long term?**

To a large extent we believe that the content of the Draft Framework is appropriate for use by organisations in preparing an integrated report. We also believe that it provides users of the Integrated Report with information about an organisation's ability to create value.

We do believe there should be greater explanation of how the value is created and examples of what the value and benefits of the integrated reporting framework will be - refer to 'articulation of benefits' below.

**Development of the IR**

**23. If the IR were to develop explanatory material on IR in additional to the Framework, which three topics would you recommend be given priority? Why?**

No further comment. As noted above, the risk associated with the provision of further explanatory material (including references/indicators/measurement methods) is that they create new or quasi reporting requirements or standards (rather than simply the provision of information or guidance).

**Other**

**24. Please provide any other comments not already addressed by your responses above**

Comparability – we accept that it would be unnecessarily prescriptive to specify the quantitative indicators, particularly non-financial, as these will differ between industries and prioritisation of non-

financial measures will change with social and economic issues. However, until there is a critical mass of companies in the same industry proactively developing an integrated report, the development of a broad and comparable set of metrics may well remain slow.

Articulation of Benefits – Given there are a large number of benefits to operating in an integrated reporting manner we believe the relevant benefits need to be articulated more clearly and specific examples given including (1) the benefits of creating and sustaining long term capital, (2) the favourable views of the capital investors (3) potentially comparable information for global companies (which may allow for benchmarking etc).

Having integrated reporting also provides a single source of truth for employees, shareholders, customers, analysts and broader stakeholders and allows these parties to find the information they need to meaningfully assess performance and make informed decisions.