

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.

BDO International has already submitted a response on behalf of the entire BDO network. This response is only taking the specific Ukrainian context into consideration.

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.*

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?

- Paragraph 1.18 suggests that the preparation of an IR could be in addition to other reports depending on purpose and stakeholder group et al. Current Ukrainian corporate reporting practices are very opaque and cumbersome with very minimal guidance on non-financial risks let alone sustainability/social/CSR factors. Ukrainian stakeholders are more likely to adopt IR if there is greater clarity around the IIRC's "end game" e.g. creating a single reporting platform to among other issues reduce the overall reporting burden. Adopting multiple reports is unlikely to win support in Ukraine so we are supporting any language that supports the move to a single reporting platform.

- Paragraph 1.19. In version 1.0 we would like to see more detailed description of the specific measurements, and methodologies the IIRC intends to use for e.g. carbon, water use, social return on investment, biodiversity et al. Ukrainian reporting is dominated by quantitative analysis and disclosure so any details how to measure non-financial risks is welcome (linked with below question 3).

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?

Suggested non-financial sources:

TEEB

World Resources Institute

Carbon Disclosure Project

Global Footprint Network

UNEP

New Economics Foundation (Social Return on Investment and Happiness research)

SROI Network

Stockholm Environmental Institute

UNEP-FI

Equator Principles

UN-PRI

Other

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

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?

- Paragraph 2.17. We agree with stated capitals but would like the IIRC to provide a fuller description of human, social and relationship capitals and the interaction of between them. These concepts are very new to most Ukrainian stakeholders so more detailed guidance would be appreciated.
- If the above point is considered we see no reason why 2.19-2.21 and 4.5 could not be adopted in Ukraine.

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

- Ukrainian legislators (Ministry of Finance and Presidential Administration) will have to understand and adopt the suggested capitals definition to provide confidence and support of companies' reporting efforts. Considering the current unstable political situation that will be a big ask. We suggest that version 1 of the Framework has a factsheet or executive summary targeted at governmental stakeholders to enable their buy in.

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?

- The Ukrainian reporting context is very short term (1-3 months) due to the existing political and economic uncertainties. The IR Framework needs to address the value proposition for short term oriented stakeholders in more detail or risk losing their interest. We agree with the medium to long term approach but Ukraine needs short term "bridging" solutions and practical examples to engage sceptical stakeholders including report preparers.

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 but would like to stress the necessity of including negative impacts. In Ukraine we see the majority of annual and sustainability reports whitewashing any negative impacts or excluding future risks associated with certain activities. We believe that a IR Framework should live up to its evolutionary reporting ideal and require companies to be more open about the negative impacts and more importantly how they are mitigated. Readers of the IR deserve fuller disclosure which probably means taking the risk alienating a number of risk adverse legal departments and management boards.

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.*

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?*

- We agree with this approach 3.23-3.24. In Ukraine materiality is a very important and hotly debated issue across the financial, social and environmental reporting spectrum. More training and positive examples of materiality analysis and disclosure are needed to gain the confidence of business owners and management teams.

- Paragraph 1.6-1.8 - we believe that providers of financial capital are important but they should be considered on the same level as stakeholders including Ukrainian reporting regulators, relevant NGOs linked to corporate impacts and their respective communities. Based on the Ukrainian feedback from several events held throughout Ukraine with business, academia, NGOs and regulators a Ukrainian IR would have to identify and satisfy the information needs of a variety of stakeholders before being considered "integrated".

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?

- We believe that developing a robust assurance framework alongside the strong IR framework will be a key tenet for report reliability.
- Practicing and reporting on active stakeholder engagement will also be key in the Ukrainian market for producing any reliable IR.
- Providing future oriented information based on e.g. a number of social, political, financial, environmental and other relevant risk scenarios will be key to shift the existing Ukrainian mindset of reporting on past performance

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).

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?

- We agree wholeheartedly. The lack of Ukrainian requirements on extending the remit of those charged with corporate governance could delay any IR adoption so visible progress in more progressive parts of the world would help speed up this process.

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?

- As a whole and adopt a "report or explain" for issues excluded from the IR.

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.

- We believe the criteria are suitable although very progressive for Ukrainian assurance providers not engaged in the IIRC process.

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?

- We strongly believe that SMEs, NGOs, private and public organisations need to be included in this process as they are the backbone of most economies but seem absent in the formulation of the final IR Framework.

- We think IR has the potential to change the global reporting landscape for the better and are 100% supportive of the IIRC's efforts if the above points are addressed adequately.

- The link between short, medium and long term value creation and destruction needs to be made more viable so better guidance through practical examples is needed.

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?*

- Materiality
- Future outlook/reporting
- Communication with other reports / what is the IIRC's "end game"
- The assurance/reliability process
- Balancing positive and negative impact disclosure

Other

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

We applaud the IIRC's efforts and look forward to version 1!