

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.

Will the Great Sustainability Crises (GSC) follow the Great Financial Crises?

- Investment Managers have different investment philosophies and investment processes. Their approach to responsible investment includes screening companies based on values (eg. Shari'ah funds), best in class sustainability practices, seeking economic returns with social or environmental benefits to society (impact investing) and full sustainability integration as required by the PRI. Full integration requires the inclusion of the estimated future financial impact of material sustainability factors in the valuation of prospective investments (intrinsic value) and the use of all ownership tools (engagement and proxy voting) to reduce risk and add value.
- All responsible investment approaches require information to execute, particularly integrated sustainability information
- Traditional statutory reporting has improved but is still limited to the financial position at a point in time (balance sheet) and the results (income statement) and cash flows for a period (Backward looking).

- Investors are investing client funds into an unknown future.
 - Traditional reporting communicates the companies track record and is widely relied on to guide the valuation of companies.
 - Unfortunately trust is low. Great destruction in value (2001/2002 and 2007/2008) including tragedies (BP, Tepco, Marikana) have reduced trust in companies, directors, accountants, external auditors, internal audit, risk managers, regulators and investors.
 - Long-term investors and the beneficiaries of funds expect the investment industry to do more than blame the destruction on so called inevitable investment cycles. They expect the investment industry to take great care in their investment decisions. This includes the integration of material sustainability issues and the use of ownership tools in their investment analysis, decision making and ownership.
 - In addition, they expect careful analysis of companies governance to ensure a system is in place that can sustain short, medium and long-term value.
- The International Integrated Reporting Council's (IIRC) recently launched Integrated Reporting Framework, can provide guidance that can improve the information available to investors, enable better valuations and help improve long-term investment decisions.
- Investors will still need to take great care and ensure they are making use of accurate, relevant, complete information (credible information). The purpose of an integrated reporting process is not a report but credible information that is useful to stakeholders, particularly the providers of capital. Their assessment of the system of governance (leadership culture and risk management) will position them to use their judgment for the benefit of the ultimate beneficiaries of funds they manage.

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.*

No

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?*

Yes I do

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 (Currently GRI 4)

Try to encourage SASB and GRI to work together (there may however be unique issues for the USA such as guidance for the SEC K10 and F20 returns)

Other

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

No further comments

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?*

Yes I do. It reinforces the integrated nature and outcomes of all corporate action.

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?*

I agree as it is an appropriate representation of the choices and action of an organisation.

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?*

My agreement follows from my response to 5 and 7.

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?

I would suggest that senior management ensure their materiality process appropriately includes all major stakeholders of the organisation. After effective and regular engagement with the material stakeholders, senior management will have more complete information as to what will influence providers of capital regarding the creation of value

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?

The overall system of governance can be structured and resourced with the correct skills to ensure reliability. Assurance providers should insist that this is in place. They should not allow their conflict of interest with management to accept partial assurance assignments. This does not ensure sustainable value in the long-term.

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).

No further comment

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?

Yes definitely, it reinforces their accountability.

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?

If the system of governance is complete and effective the full integrated report can be assured. The Board and executives have a duty of care to ensure this is in place. The assurance service providers should insist it is in place. The relationship of the service providers with the executives and the resultant dependency restricts robust discussions on the systems and processes that should be in place. Assurance therefore becomes restricted to specific aspects. This is not appropriate for long-term sustainable value.

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 further 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 other 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 framework is appropriate to prepare an integrated report. It is sufficiently flexible to complement other frameworks and standards.

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?

1. Materiality - materiality has to be done well and consistently to ensure providers of capital are making appropriate decisions on the value of a company.
2. The link between inclusive integrated governance (a system of governance) and sustainable value.
3. How those with a governance role (including assurance providers) can work together to ensure sustainable value in the short, medium and long-term.

Other

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

No further comments