

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.

Cercle E & S, established in 2006 (cf. www.cercle-entreprisesetsante.com) includes about twenty companies, mainly international private companies, but also public structures, as its aim is building employer's vision about working conditions'quality, every type of employers being involved, public as private.

(we are also working with NGO on the social field, trade unions, and social law judges)

Members' responsibilities are various (Health Directors, HR / Personnel Directors or Managers, General Secretary, Management Systems Directors, Sustainability Managers, Working Conditions Dr or Mgr, Quality of Life & Health Managers, Health Medical Coordinators, ...). Firms affiliated to the « C E & S », are ahead in the consideration of importance of Health and working conditions' issues, in relation with skills and talents management .

Companies gathered cover more than 800,000 direct employees, and most of them are active worldwide (some with only 10% of their workforce in France). In the field of

health and working conditions, these companies aim to enable, on all their entities, better living conditions and wellbeing in the workplace, better health and safety of employees, regardless of their legal status, employees, temporary employees, subcontractors...

Cercle E&S's purpose is development and dissemination of health at work and good living conditions at work culture in all aspects : through exchanging experience, benchmark, and analysis of leading experts and authors of innovative programs in such issues -. The target is systematic integration of better health and working conditions, not only in HR strategies, but more broadly in firms' strategies for value creation, as in daily operational management.

Cercle E & S welcomes the important contribution of the IIRC overall vision and comprehensive approach to the firms' value generation on the basis of six categories of input / capital, which is a breakthrough over traditional visions, primarily financial, now with some "annex" or additions - Sustainability / CSR reports. The overall consideration system of all value components will be far more effective when really integrated into strategic as day-to-day management sources of the value, and not only as a reporting tool (one more)

Our main proposition to the IIRC is that of a substantial consideration of the quality of living conditions at work in the International <IR> framework (covering not only safety and health and occupational risks prevention, but also, more generally, promoting health, and quality conditions in work environment,). Overall approach of living conditions at work, throughout the whole – internal & external - supply chain contributing in value generation. And in overall concept of health and better quality of life : physical, mental and social meanings / (cf WHO definition). As health and wellbeing became over the years a key factor in assessing firms' social performance not only in employees'eyes, but also in public opinion and all stakeholders' perceptions (political environment, shareholders, ONG, local / sub-regional and international communities ..). (- emerging concept of social resilience / resiliency of individual and collective skills resilience)

Our outlook:

In this holistic approach to value generation, the notions of "human capital" and "social and relational capital" are quite important for C E&S - in the aim not only of <IR> "Integrated Reporting", but also in <IV>," Integrated Vision" and <IM>, "Integrated Management", for both the scope directly under their full responsibility, and more broadly for the (economic, social, environmental) "sphere of influence" in which companies operate and intervene. (Including production or activity sites locations' economic and social impacts).

If this consideration is difficult into a standardized quantitative indicators system, a qualitative integration through accurate information over time (short, medium and long term) allows a better appreciation of the "total value" created by the company.

In the same sense, the notion of " quality requirements of working life supply-chain " seems very useful to fully appreciate quality of 'human and social capital controlling and monitoring system (without outsourcing 'occupational risks' on subcontractors or suppliers, which leads to huge economic competitive disadvantage)

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 are quite OK on the purpose of "creating value" in the short, medium and long term, and on the imperative need to clarify input and output for 6 capitals on these 3 horizons. And OK also on difficulties in measuring, as expectations or interests of stakeholders are not at all in the same time scope.

One possible solution, for example: asking each organization to express clearly, each year, and for each activity, which is the preferred horizon (which may be at the expense of the other two).

OK also for involving all types of managers and directors, including business managers, in this integrated perspective (condition of success for the <IR> : not to be only 'one more' mechanical reporting system).

Caution : the term 'reporting' is in France often perceived with empty / meaningless constraints, far from the reality of business and activity, mechanical indicators required by rating agencies or auditors.

Some of us are even saying : " More than a reporting tool <IR> has to be a management tool : ask the right questions to the right people , all along the way. For this it is necessary to ensure the implementation of appropriate management systems: review, monitoring control, decision making process"

Suggestions : highlight the concept of "supply chain of value creation", to allow a true assessment of the performance of firms, throughout their internal and external supply chain, and including their contribution to the creation or strengthening of human / social and relational capital. (Both internally in the classical scope of the company and externally, in its external interfaces, including the use of cocontracting, subcontracting, - in 'extended enterprise' concept-.)

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 real added value of <IR> framework has to be clearly emphasized – something which does not exist in other reporting systems, and which is its specific and holistic approach :

- improving awareness, enhanced accountability and control (- no administration -) of the global 6-sources capital, including human and social and intellectual capitals, who

are often overlooked; (and especially with the "human and social supply chain" / "working conditions & social impact supply chain" concepts

- strengthening integrated thinking, decision making process and value generation in the short, medium and long term (validating the true announced and choosed distribution between these three dimensions, which is not sufficiently done, - or never done, specially including human and social matters.)

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?*

Regarding "human and social capital " few complementary references (next to ISO 26000 standards ..)

International level

- Working conditions : contents and standards of international ILO Conventions (see also NORMLEX ILO)
- Health: definitions used by WHO / WHO GOHNET (Bulletin of the World Health Network (GOHNET: Global Occupational Health Network)

European level :

- Charter of Fundamental Rights of the European Union (same binding in EU treaties)
- Council Directive (EU) of 12 May 1989 on the implementation of measures to encourage improvements in the safety and health of workers at work:
- European Social Charter (1951 - Council of Europe), ratified by 43 countries / supplement of the European Convention on Human Rights

(Note: These three types of documents are prompted systematically in France based on judgments of the Social Chamber of "Cour de Cassation").

- Also possible: OECD model "measure of well being and progress towards a green inclusive and smart growth" RIO +20 / June 2012.

Other

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

Relationship between <IR> and Strategy and Management:

Integrated thinking is an essential purpose, often missing in organizations.

< IR> approach highlights key points that characterize what is really to be achieved.

The question is mostly this of "how" this is achieved , and what are the key factors : which values, and how values are implemented in the company ; are the managers really recognized for implementing these values (reinforcing human and social capital) : responsiveness, innovation, exchange, solidarity, teamwork (internal and with subcontractors) , commitment to listening to stakeholders needs, quality of decision-making process .. it is on these points that management must be evaluated..

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?*

Real clear approach with the 6 capitals, in a "supply chain added value vision".

- intellectual capital : "the capital of the company" , not only patents and tradenames, but know how, tacit knowledge, procedures, systems ...; (collective intellectual capital strengthening)
- human capital : alignment with and adherence to governance framework, to risk management methods and to ethical values of the organization..(human capital empowerment)
- social capital : ability to listen and communicate with local environment ...(social impact supply chain value)

The target is ambitious and undoubtedly it will take time to organize a structured / reliable information.

A great utility of <IR> approach may be also establish a benchmark (by sectors ?) on best practices for generating value (a) on 6 capitals flows, and (b) in the choice of horizons' means and objectives (short/medium/long term), especially considering human and social supply chain.

In order to motivate and engage into <IR> process (Integrated Vision/ Integrated Management and Integrated Reporting) not only evaluators / assessors / auditors but also managers of business units, publication of sectors benchmark (as ICB Industry Classification Benchmark) would be rather useful.

.Overall it is through the decision-making systems that one must ensure and can measure the inclusion of the complex interdependence of 6 capitals. ===) Are important decisions taken on the basis of an assessment of impacts on six capitals ?

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

Suggestions, on graphs and diagrams p 10 & 11 - Flow chart of input / output -capitals)

(a) boundaries between companies' external and internal environment are less tight (concept of extended or modular enterprise ; with all types of interaction, co-action among entities, specially for building human and social capital ..) ... Areas and limits becoming both vague and fluctuating, hence the importance of the concept of "contribution supply chain" to create value.

(b) in the graph/flow chart, perhaps more emphasis on the representation of "active transformation", inside "the black box" of the business model.

. Overall it is through the decision-making systems that one must ensure and can measure the inclusion of the complex interdependence of 6 capitals. Are important decisions taken on the basis of an assessment of impacts on six capitals ?

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?*

OK.

Focus on "value chains" (co-construction in "extended enterprise concept"), and especially on the human and social fields: "living conditions at work supply chain" / "competences supply chain" ...

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?*

Section 2 C _ 8

Note: competitive benefit on societal /social/ environmental fields (positive / enrichment impact of human / natural social capital /) may be perceptible and perceived only at medium or long term, while the commercial and financial competitive advantages would be visible and weight - often or first - in the short term. How this contradiction is to be resolved ?

Impacts and interests horizons are not the same, depending on the type of business : this is not the same issue for a start-up company or for very capital-intensive activities

To simplify : why not appreciating the balance of concerns short term, medium or long term ST, MT, LT (based on review of decisions) and taking into account the purpose of the activity? in a well balanced consideration of the 6 capitals.

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.*

2 D : It will be rather difficult to officially/broadly speak and write about destruction or alteration of value ... But it is clearly also the target

Two comments:

a) Depending of period and timing / (cc market fluctuations), the various components of capital, can be enhanced or altered and destroyed ..

b)) According to the choice of control / management made (and on this or that horizon ..): eg, certain behaviors and choices, such as outsourcing or procurement, for example,

can either enhance / or degrade the human capital either of the company or this of its value chain (subcontractors, communities ...) (Question is : outsourcing activities is it leading to outsourcing occupational risks ?).

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?

... OK on the priority given to investors, provided that the consequences are clearly assumed, - subject to their ability to develop assessment and evaluation abilities as strong and discriminating and nuanced on the non-financial criteria as on financial criteria,

In this <IR> perspective, it is necessary to have financiers, investors and auditors which are as aware of / and as interested in / non-financial items as in the (only) financial items.

A position or pronouncement of bodies such as the AMF (or european / international equivalents) concerning vision system, and <IR> framework would be welcome, including positions about human and social capital.

Note : 'Materiality' means relative importance of the issues raised in the assessment report as key factors for main users. This assessment is made by the executives (those in charge of governance) and must take into account the view of the short, medium and long term (this assessment must be made at least once per year).

This vision of executives is necessary but is it enough? should one not consider other opinions, especially in cases or risks of blindness or complacency ... (social partners, and other stakeholders: eg. communities if public service concessions...)

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 question is this of trustworthiness.. How to get valid and reliable assessments : internal and external controls, reliability and frequency, quality procedures and self assessment, and for the important points. third party opinion

And especially on human and social matters.

Several ways to help control the reliability

- Benchmark (especially by sectors)
- Validated process of internal audits
- Calls for insurance / third party certification

Suggestion 1 : Acceptance to submit to unannounced audits on sensitive dimensions (/ natural capital / human & social relationship ..) for example, unannounced audits on safety and working conditions. (as FLA Fair Labor Association System), or audits involving NGOs (cf Clean ClothesC. and international agreements set up after the disaster in Dhaka)

Suggestion 2 : <IR> report to be public / published (internet ..) and able to raise, among stakeholders, echoes that will be analyzed, scanned and will generate responses and counter arguments in the next year's report.

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

Detail on 3.33/34: "Balance" ? wishful thinking .. Any financial or non-financial data divulgation aims to give the best possible image of a company, even if "true and fair" ..

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).

4B Governance :

One of the main question is "how executives and management create human capital empowerment and sustainable motivation of internal actors (or external) to ensure success in the short, medium and long term?".

4D : resource allocation :

Insist on highlighting resource allocation for the medium and long term, as they reflect the ability of governance to anticipate and dominate the business problems with a sustainable vision (in a balanced way on all the 6 capital lines)

(The reverse situation – short term priority - could bring excitement and fragility. All depending on the competitive situation).

4E 4.22 Link between value creation and resilience, strengthening human capital and social capital : on all components of "working and working-conditions" supply-chain.

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?*

For the involvement of executives and senior management, it is necessary that <IR> be not only a reporting system but also a <IV> Integrated Vision system, and a <IM> Integrated Management system.

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?*

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.*

Among the possibilities for building credibility:

agreement to submit to human / social or environmental unannounced audits (type FLA Fair Labor Association, or eq) see above.

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).*

We agree with the <IR> framework :

it is necessary that <IR> be not only a reporting system but also a <IV> (vision) and a <IM> (management) integrated system.

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?*

Two critical issues :

(1) question of the identification and attributed value of value creation (actually multiple value/s, which cannot be added / fungible) :

(a) on the "6 lines of capital" and (b) in the different horizons (short, medium or long term)

(2) question of the perimeter (s)/ scope (s) : scope of financial reporting and financial performance ? ; and/or wider perimeter / - "sphere of influence" , perimeter of social impact / environmental / societal ?

The coexistence of two schemes is necessary in order to understand and highlight the specific reality of firms' social / societal environmental commitments.

An important point will be to demonstrate how the company is able to face the future with intellectual resources (expertise and organization of trade) and human resources : ability to identify and retain key players, ability to drive motivation and resilience of organization and individuals, innovation, continuous improvement and self-transcendence to make a difference with competitors. This is essential for the credibility in the long term.

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?*

For the future, we will probably need sectoral approaches (and sectoral references or referentials), especially for Social issues and living conditions at work's issues.

Note : Organizations' resilience is the capacity of the work collective (internal and external: all members of the overall workforce involved, employees, temporary workers, subcontractors and partners...), ... to adapt to unforeseen situations and to find / build solutions. The evaluation must measure this capacity (uncertainty management) as well as the ability to respect fundamental principles to ensure control (the "set")

It is the harmonious combination of the two that may lead to performance. (Other issue: how to assess this "harmony" ...)

Other

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