

## ANALYSIS OF FRAMEWORK

### CHAPTER 4: CONTENT ELEMENTS

Question 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).

**NOTE:** This objective analysis includes only the most prevalent, significant or controversial issues as far as they relate directly to the content of the Consultation Draft of the International <IR> Framework<sup>1</sup>, for the attention of the Working Group and therefore not all matters raised in submissions are referenced in it.

Drafting this analysis involved considerable judgment in deciding how to categories comments into issues/themes and how to summaries the underlying positions. Statistics have been included to provide a snapshot and starting point for analysis. Although the statistics indicate the prevalence of different views, due consideration will be given to the substance of all positions expressed.

In total the IIRC received 359 submissions to the Consultation Draft. 352 are included in this analysis. The remaining 7 submissions (of which 6 were late and one was in too complex for collation) are being reviewed separately.

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#### A – OVERVIEW

A1 Of the 352 responses analysed, 153 did not provide any comment to Q16 and a further 8 were either duplicated responses or provided comments not relevant to Chapter 4. The comments from the remaining 191 were analysed by Content Element as well as “Order, Structure & Terminology”, “Paragraph 4.5” (additional disclosures) and “Other General Comments”. Some of those that responded to Q16 provided comments across a number of the analysis categories. The number of responses analysed by category is as follows:

Order, Structure & Terminology	40
Paragraph 4.5	20
Other General Comments	72
Organizational Overview and External Environment	26
Governance	46
Opportunities and Risks	30
Strategy and Resource Allocation	19
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<sup>1</sup> <http://www.theiirc.org/consultationdraft2013/>.

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A2 For many of the paragraphs herein, further details are provided in the appendix. The 3-digit numbers included in parenthesis herein or in tables in the appendix correspond to the specific numbers assigned to each comment letter. For the most part, comments have been paraphrased to reduce the points to the essence listed in this analysis. Actual text proposed by respondents has been included herein with changes marked from the original text in the Consultation Draft to enable further analysis; new text is reflected as bold underlined text while deletions are shown as double-strike through text.

**B – ORDER, STRUCTURE & TERMINOLOGY**

B1 A theme running through responses to Q16 questions how the IIRC see the Content Elements in particular and the Framework in general interacting with other guidance and standards issued by other organizations. Some believe that the <IR> Framework duplicates guidance already in existence for instance financial regulations and sustainability guidance whereas others recommend the development of explanatory narrative on the linkages between the Content Elements and the disclosures from other established frameworks. (See AB1)

B2 19 respondents affirmed agreement with the Content Elements, although a few suggested improvements. 10 respondents expressed agreement with the approach of providing questions which need to be satisfied for each Content Element, while one respondent thought a more appropriate style than answering a question, which increases the lack of clarity of the Framework, would be to phrase it in a statement of "An integrated report should describe:" (126) (See AB2)

B3 Some respondents disagreed with the draft FW as a whole or with the Content Elements, stating the following:

- Without some explicit requirement to include the full, end to end natural capital impact, the framework is not yet "fit for purpose (026)
- King III is much more comprehensive and a better framework to ensure proper and complete reporting of all relevant aspects; the <IR> FW needs to cover the following:
  - Stakeholder engagement should be required to be discussed. This could/should be the starting point for determining strategy, opportunities and risks, as well as internal controls.
  - Internal controls, internal audit, the audit committee and the reports of other committees, are not covered sufficiently at all in the framework. These are very important aspects and guidance should be provided around their disclosure as part of the contents of an IR. Internal audit is mentioned only once in the whole consultation draft.
  - Ethics and ethical considerations are not covered in sufficient depth.
  - The expertise of the financial director and function should be provided

The preparer of an integrated report should not be required to try and combine so many guidelines - the framework should be comprehensive and should be the one-stop document. (139, Academic)
- Another stated that in its current form, the Framework does not express the value proposition for companies. Specific and informative indicators would highlight the value in composing an integrated report. The IIRC has an excellent opportunity to create indicators that would demonstrate the relationship between financial performance and behaviour on ESG issues. (269)
- One respondent provided their view to restructure the contents section to focus on three ideas: (1) state; (2) progress; and, (3) performance. The state is a value balance sheet at a point in time for the activities within the 'reporting boundary'. The progress is the change in the value balance sheet between two points in time. The performance is the amount of progress achieved relative to the amount of resources consumed. (042)
- One respondent questioned the relevance of this chapter, stating that a company really focused on its stakeholders knows their information needs and attends to them; organizations not so advanced (probably the majority) have G4, and before that G3, which essentially covered all these issues and is much more useful for new reporters (334)
- Some commented on the need for Chapter 4 to be more concise and not to prescribe such detail (see AB3); whereas another stated that while there is an expectation of conciseness, the detail required to adequately address 4.5, 4.11, and 4.28/4.31 could be extensive, even taking into account application of the materiality principle (246).

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- B4 The greatest number of comments received in this category related to the order of the Content Elements which some saw as a linear structure for an integrated report (008, 022, 073, 127, 263, 273, 342) whereas others did not (024, 103, 189, 293). There was no real consensus regarding the proposed changes to the order other than that Business Model should be moved up the list. The basis for this is that Business Models are at the heart of <IR>. One recommended combining certain Content Elements (073) while another added other elements in the reordering (022).
- B5 A number of comments were provided about the general structure of the FW and recommended changing order of the Chapters, moving certain paragraphs, and eliminating what some perceived as inconsistencies within the FW. (See AB5)
- B6 Ten respondents recommended a variety of additions to the Content Elements, while two recommended deleting certain Content Elements as the respondents thought the concepts were adequately covered in other Content Elements. (See AB6)
- B7 A number of respondents recommended eliminating the use of jargon in the FW, such as 'boilerplate' and 'tone at the top', which terms would need explaining in certain jurisdictions. Whereas others expressed concerns that some of the terminology may not translate well into other languages such as the phrase 'External environment' which could be construed to just refer to the external natural environment. It was suggested that External Context be used instead (See AB7).

### C – PARAGRAPH 4.5 (Disclosures required in addition to the Content Elements)

- C1 Responses included both agreement and disagreement with the five additional disclosures required beyond the Content Elements. One respondent believes that the disclosures required by paragraph 4.5 provides useful information to the reader of the report (155), another expressed agreement with the requirements provided that the information disclosed is meaningful and material to the intended report users (182); while a third believes it is a key item and the links to financial and non-financial standards should be emphasized (e.g., IFRS / US GAAP & GRI), as they provide important criteria for defining the content / materiality (263).
- C2 7 respondents called into question the effectiveness of the requirement to disclose the nature and magnitude of the material trade-offs contained within paragraph 4.5. They felt that reporters would be either unable (due to complexity) or unwilling (due to the nature of the trade-off) to satisfy this disclosure requirement. The respondents who commented on the materiality determination process were split between those in favour and those against. (See AC2)
- C2 The existence and positioning of paragraph 4.5 was also called into question. One respondent questioned the positioning of the paragraph alongside the Content Elements (213); two thought that the paragraph should be right at the start of the framework with one recommendation to make it a separate section 4A entitled "Reporting Structure" (which should also be referred to in paragraph 4.1) (205, 317) and a third recommended that it be moved to the end of the chapter believing that its current positioning may detract from the primary Content Elements discussed in the chapter (155).
- C3 Several respondents thought additional items should be added to paragraph 4.5:
- The primary intended report users and how they have been identified and agreed (182)
  - Definition by companies as to what is short, medium and long term (293)
  - Catch-all bullet indicating that the list is not exhaustive and that organizations should disclose all other material matters that stakeholders should know to make informed economic decisions about the organization (210)

### D – OTHER GENERAL COMMENTS

- D1 A variety of other comments were provided, ranging from a request to keep Chapter 4 principles-based to requests for further clarification of various aspects. Concerns were also expressed about the treatment of the capitals and connectivity. A number of comments were also provided on paragraphs 4.1-4.4. (See AD1)

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**E – ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT (4A)**

- E1 Of most concern was the content relating to the external environment. As well as considering it 'technically challenging' and 'difficult' to produce some of the information required (041, 220), respondents were concerned about the amount of information required and the risk of boilerplate disclosures (236, 248, 295, 328). Disclosures about the relative strengths and weaknesses of competitors and customers were felt to be potentially legally risky and commercially prejudicial (234, 340).
- E2 One respondent was concerned that the difference and relationship between certain categories of capitals and the "external environment" or "factors affecting the external environment" are not clear. In particular, "factors affecting the external environment" is described as something "that affect the organization's "ability to create value in the short, medium and long term," which may effectively overlap with the concept of capital. The concern is that such lack of clarity would hinder companies' understanding and use of the framework. The respondent recommended clarifying the differences and relationships between these terms. (333)
- E3 Various recommendations were made for clarification, additional guidance and inclusion of illustrative examples, and revisions to specific paragraphs. (See AE3)

**F – GOVERNANCE (4B)**

- F1 A number of respondents were concerned with the guidance on executive remuneration and the link to performance. It was felt that without a specific mandatory requirement (which may already exist in some jurisdictions) that preparers would find it 'troublesome' and 'complicated' (015, 038, 041) and questioned why the Framework should go beyond legal requirements (038). Another stated that sufficient alternative corporate governance disclosure is available so there is no need for it to be covered here (112).
- F2 Broad comments on this GP included concerns about whether organizations would really disclose details linking executive remuneration (207, 215) as well as concerns about whether the GP was appropriately focussed on behavioural change (255, 263). (See AF2)
- F3 Some respondents were of the opinion that the detail discussed in 4B Governance (and in particular, paragraph 4.11) would lead to an increase in clutter and complexity in reporting (019, 041, 057) whereas others proposed additional items to be disclosed such as: the 'competence and experience' of those charged with governance; the succession process; lobbying policy; change management; internal control policies etc. (See AF3)
- F4 Paragraph 4.12 was considered particularly problematic and its removal altogether was advocated by some. Others requested clarification or changes to paragraph 4.11 while one respondent recommended changing the name of the Content Element to include 'integrity' (e.g., governance and integrity) (191). (See AF4)

**G – OPPORTUNITIES AND RISKS (4C)**

- G1 While one respondent expressed the belief that this aspect of the Framework could improve the public sector's approach to reporting and also to strategic decision making (182), a variety of concerns were expressed and various proposals made to rename and rewrite this Content Element. Comments focussed on the need to discuss opportunities and risks in an integrated way with the other Content Elements and not in isolation. The issue of terminology mentioned above was also re-visited with detailed comments on the need to focus on opportunities and threats / material uncertainties rather than 'risks'. (See AG1)

**H – STRATEGY AND RESOURCE ALLOCATION (4D)**

- H1 Half of the comments on this Content Element related to one of two issues: competitive threat or stakeholder consultations. Disclosing information on strategy and resource allocation was seen as particularly sensitive from a competition point of view (089, 219, 268, 292, 328), including the loss of negotiation power with suppliers (066). Furthermore the prevalence and role of stakeholder consultations in the strategy and resource allocation process was called into question by several respondents. (See AH1)
- H2 Other comments sought further clarification regarding matters with respect to resource allocation and resource allocation plans, and expectations for related disclosures. (See AH2)

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### I – BUSINESS MODEL (4E)

- I1 Several respondents expressed agreement with the Framework concepts, particularly relating to business model (003, 149); however, concern was expressed that the amount of Business Model disclosure may not be cost effective or may competitively harm organizations (081). (See AI1)
- I2 A significant number of comments concerned the guidance in the Framework relating to multiple business model disclosure, and requested that examples and guidance related to organizations with multiple business models be developed to ensure this approach is used appropriately (060, 114, 149). It was felt that the guidance related to organizations with multiple business models should be developed to ensure this approach is used appropriately. (See AI2)
- I3 Some respondents questioned the inclusion of Business Models as both a Fundamental Concept and a Content Element and the redundancy between the sections (114, 268). Others requested clarification or provided feedback on specific paragraphs. (See AI3)

### J – PERFORMANCE (4F)

- J1 There are some calls for further guidance on specific KPIs or at least some examples or links to relevant third party KPIs such as GRI. However, other respondents welcomed or agreed with the nature of paragraph 4.31 which sets out the common characteristics of suitable quantitative indicators without specifying particular indicators (063, 066, 286). Others expressed concerns or provided recommendations regarding paragraph 4.31. (See AJ1)
- J2 Some respondents provided comments regarding reporting on the capitals and on specific paragraphs within the Content Element, and with respect to including additional guidance. (See AJ2)

### K – FUTURE OUTLOOK (4G)

- K1 One of the most common concerns amongst the responses to question 16 related to *Future Outlook*. Although generally accepting the need for forward-orientated information, respondents expressed concerns over potential reputation and competitive risk, liability, difficulty and complexity of providing what some see as forecasts. These concerns were mainly expressed by report preparers, professional bodies – accounting and professional bodies – other in North America, Western Europe, Oceania and those regarded as Global. (019, 058, 120, 147, 148, 150, 153, 164, 185, 244, 263, 317) (See AK1)
- K2 Forecasts and projections were frequently cited as a concern by many respondents. One respondent recognized *Future Outlook* as an important element in <IR>. According to the Framework an integrated report should answer questions about challenges and uncertainties the organization is likely to encounter in pursuing its strategy. This respondent suggested that user insight might require disclosure of management considerations of different scenarios and transparency about the impact on value creation based on market projections of those scenarios and the arguments for the different trade-off decisions, and requested the IIRC to consider further guidance on relevant disclosures related to future outlook, also considering the objective of conciseness. (109) Other respondents also discussed challenges and potential solutions to deal with these concerns. (See AK2)
- K3 Some respondents offered broad recommendations and proposed changes to specific paragraphs as well as requested further clarification or additional guidance. (See AK3)



APPENDIX

Para.	Comment
AB1	<p><b>B – ORDER, STRUCTURE &amp; TERMINOLOGY</b></p> <p>Questioned how FW interacts with other frameworks (019, 089, 101, 145, 182, 339)</p> <p>Believe that the FW duplicates guidance already in existence (e.g., financial regulations and sustainability guidance) (019, 089, 150, 243, 249, 275, 289, 315, 326, 339)</p> <p>Recommended the development of explanatory narrative on the linkages between the Content Elements and the disclosures from other established frameworks (145, 191, 249, 326, 339)</p>
AB2	<p>19 respondents affirmed agreement with the Content Elements, although a few suggested improvements (054, 119, 128, 145, 180, 181, 189, 216, 227, 235, 274, 287, 293, 311, 317, 321, 326, 331, 352)</p> <p>Agreement was expressed with the approach of providing questions which need to be satisfied for each Content Element (027, 170, 171, 184, 189, 276, 287, 294, 317, 342)</p> <p>Comments supporting the FW:</p> <ul style="list-style-type: none"> <li>• The Framework encourages a holistic discussion of what is material to the company and the factors that impact its ability to create value in the short, medium and long term. (326)</li> <li>• Several views were expressed in favour of the Content Element <i>Future outlook</i>: <ul style="list-style-type: none"> <li>○ The positive inclusion of "Future Outlook" is one of the guidelines in fact that will cause a more strategic view of management as a whole (128)</li> <li>○ There is a need generally for forward-looking reporting which takes greater account of long-term risks to a company, and forward looking reporting that is also independently audited (236)</li> </ul> </li> <li>• One respondent agrees with the headings but seeks assurance that the benefits realisation elements of a report is not lost, i.e. with the report becoming more forward looking there is the danger of it becoming a PR exercise and that the move away from reports that focus too much on the past (and were seen as irrelevant) may cause important performance related information to be lost. The negative, alongside the positive, needs to be given appropriate weight. (230)</li> <li>• Sections 4C: <i>Opportunities and risks</i> and 4F: <i>Performance</i> are the two most important sections of the whole report. It is where the dots get connected between company attention to ESG factors / issues and how they benefit financial results. It is where integrated thinking happens. (312)</li> </ul> <p>Generally, the Content Elements suggested make sense; the challenge will be how to present the various requirements in a concise format. Company websites will be integral in delivering reporting on an on-going basis and to provide users with the ability to get the most important information as determined by the priority matrix, and to determine the level of detail they wish to obtain. (326)</p>
AB3	<ul style="list-style-type: none"> <li>• Some commented on the need for Chapter 4 to be more concise and not to prescribe such detail: <ul style="list-style-type: none"> <li>○ This Chapter of the framework has been written at too detailed a level and risks becoming too prescriptive, with the contents of the section becoming seen as a checklist; The text of Chapters 4 and 5 in particular needs to be scrutinised carefully to ensure that disclosure items are correctly described. For example, some seem to be identified as requirements, such as the time frame disclosures in paragraph 5.24 and the contents of paragraphs 4.15, 4.19 and 4.20. Other items are introduced with a variety of degrees of recommendation as to what is to be included in an integrated report: "May include ..." in paragraph 4.9, "This includes ..." in paragraph 4.22, and "Features that can enhance ... include ..." in paragraph 4.23 (184)</li> <li>○ Chapter Four needs to be much simpler; the key principles need to be self-explanatory (Example provided: 'How does the organization's governance structure support its ability to create value in the short, medium and long term?' For many people the answer would be simply, 'by ensuring the</li> </ul> </li> </ul>

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	<p>company is well run in conformity with local laws, etc.' But the Framework explanation goes further in talking about diversity, etc.). Therefore, need to find a way of describing the targeted areas more simply. (187)</p> <ul style="list-style-type: none"> <li>○ The guidelines of the Content Elements should be more concise and objective. The general guidelines are not really objective and very detailed and the coverage of the elements is quite broad which may hinder the fulfilment of the Guiding Principles, especially in terms of objectivity and conciseness. (255)</li> <li>○ Some thought there were too many detailed questions to be answered in an integrated report (e.g., paragraphs 4.8 and 4.9 about external environment) in contrast to the principle of conciseness and could increase the length rather than reducing it (172, 294, 332)</li> </ul>
<p>AB4</p>	<p>Orderings proposed:</p> <ul style="list-style-type: none"> <li>● Reverse order of <i>Strategy</i> and <i>Business Model</i> as <i>Strategy</i> represents the implementation of the business model (008)</li> <li>● <i>Business model</i> should come before <i>Strategy</i> and <i>Opportunities and risks</i> should be moved to <i>Future outlook</i> (073)</li> <li>● Shouldn't "<i>Opportunities and risks</i>" come after "<i>Business Model</i>"? (263)</li> <li>● Although the order is not meant to be universal, "E Business model" should at least come after "A Organizational and external environment" and before "B Governance" (127)</li> <li>● Overview and definition of business model &amp; strategy; Materiality and risk assessment; Corporate governance &amp; remuneration including a letter from the Chair; Financial performance &amp; overall value creation; intellectual capital performance; human capital performance; natural capital performance; manufactured capital performance; social and relationship capital performance; accounts; future outlook (022)</li> <li>● Although order of Content elements is not prescriptive it will be followed, so (as BM is at core of &lt;IR&gt;) suggest change order to: A Business model, B Organizational overview and external environment, C Governance, D Strategy and resource allocation, E Performance, F Opportunities and risks, G Future outlook. (024. 103)</li> <li>● Move 4G, Future outlooks, closer to the beginning of Chapter 4 (273)</li> <li>● A more logical ordering for the content elements, which would support connectivity between them, would be: mission and vision (currently described as 'organizational overview'); strategy; business model; performance; governance; future outlook and risks (342)</li> </ul>
<p>AB5</p>	<ul style="list-style-type: none"> <li>● Including a typical structure (annotated table of contents) of an integrated report in Version 1.0 as it is not clear whether Content Elements are sections/chapters of the report or not (053).</li> <li>● Swapping around Chapter 3 and Chapter 4, as certain constituents of the respondent appeared to better understand the Guiding Principles in Chapter 3 after they had read the Content Elements in Chapter 4 (205)</li> <li>● Some content elements seem to overlap to a certain extent (e.g. business model and organizational overview, performance and future outlook, opportunities/risks and future outlook). As they are not supposed to serve as a standard structure for the report, and as their information is to be presented in a connected manner (par. 4.2), this does not seem to be problematic. Nevertheless, many users will probably use the structure of the framework as an orientation when preparing their first integrated report(s). Thus, the content elements will effectively end up being an example of a structure for integrated reports. Therefore a more proper distinction between the elements should be elaborated. (135)</li> <li>● Moving paragraph 4.5 (see section C of this paper)</li> <li>● The bold lettered text in Chapter 4 seems to be presented in a manner that is inconsistent with the preceding chapters in that the bold lettered text is phrased in the form of questions, whilst the other chapters phrase the text as statements; the document should be internally consistent in the way in which the bold lettered text is presented, preferably as statements (155)</li> <li>● The term 'Boilerplate' is repeated in several places; it would be better to have the concept of not containing boilerplate disclosures as a general principle rather than to repeat it several times (155)</li> <li>● The Content Elements are only sketched within the &lt;IR&gt; Framework; while the logic is that these do not serve</li> </ul>

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	<p>as a standard structure, it is difficult to develop a standard without having the standard elements to consider. It is suggested that a checklist be added and then organisations can be free to choose the elements they believe are relevant for them. (207)</p> <ul style="list-style-type: none"> <li>• A challenge for many organizations will be how to organize the report, as the Framework leaves it to the organization to determine how it will report on key items. For those companies that embrace it, this Framework is both an opportunity and a challenge. It allows for reporting and discussion to evolve over time; the respondent likes that a company can adapt to address the most important matters it faces at the relevant reporting time. (326)</li> </ul>
<p>AB6</p>	<p>Recommended <b>additions</b> to the Content Elements included:</p> <ul style="list-style-type: none"> <li>• An Integrated Report should also answer to the question: What are the organization's impacts on society? (016)</li> <li>• Add "value drivers" as a Content Element rather than including as a subset of business model and performance (007)</li> <li>• Add "external impacts" as a Content Element and provide monetisation guidance (009)</li> <li>• Add "intelligence" as a Content Element—an organization's capacity to create and access knowledge and to use this knowledge to adapt its environment (021)</li> <li>• Expand to include a description of how the business is either ensuring sustenance of existing core competencies or investing in the creation and development of newer core competencies, and if some core competencies are becoming outdated, a description of the sun-setting of such core competencies (129)</li> <li>• In addition to the Content Element <i>Opportunities and risks</i> (external factors), should include Strengths and Weaknesses (internal factors) for making the SWOT analysis matrix an integral part of an Integrated Report. (068)</li> <li>• Include reference to the entity's mission and vision statements; given that the &lt;IR&gt; Framework is concerned with the creation of value and short, medium and long term goals, articulation of mission (being the entity's purpose and primary objectives) and the articulation of vision (stating what the entity wants to achieve in the future) provides the 'goalposts' for stakeholders to understand the information provided (177)</li> <li>• Due diligence processes with respect to risks of adverse impacts should be an important Content Element as due diligence has emerged as the over-arching principle for responsible business conduct following the endorsement of the Guiding Principles for implementing the UN Protect, Respect, Remedy Framework (259)</li> <li>• Include identification of who has accountability for corporate performance across the different capitals (169)</li> <li>• Include external stakeholders in the process of determining materiality (083)</li> </ul> <p>Recommendations were also given for <b>deleting</b> certain Content Elements:</p> <ul style="list-style-type: none"> <li>• Delete strategy &amp; resource allocation as it is covered by Strategic Focus Guiding Principle; also overlap with business model and future outlook (073)</li> <li>• Delete Future Outlook as it is included as a time dimension in the other elements (075)</li> </ul>
<p>AB7</p>	<p>Comments concerning <b>terminology</b> included the following:</p> <ul style="list-style-type: none"> <li>• It was also suggested that the Framework refrain from using jargon such as 'boilerplate' (180, 293) and 'tone at the top' (212) as these terms would need explaining in certain jurisdictions; for example, it is unclear what "tone at the top" means in this context and how this will be conveyed in an integrated reported (212)</li> <li>• The phrase 'External environment' may not universally translate well and could be construed to just refer to the external natural environment; it was suggested that External Context be used instead (051)</li> <li>• "Those charged with governance" is a phrase from audit standards and it does not have a wide coverage outside that context (e.g., it is not used in IFRS). At various points in the CD a distinction is made between those charged with governance and management. External stakeholders including providers of financial capital will generally not perceive or understand the difference if any between the two groups. The separation is also not relevant for most unlisted companies. The framework would be better referring throughout to management only – for example in 4.31. (184)</li> <li>• Concerns regarding the use of the phrase "opportunities and risks" (see the discussion of the Content Element</li> </ul>



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	<p>in Section G of this paper)</p> <ul style="list-style-type: none"> <li>• Paragraph 4.9             <ul style="list-style-type: none"> <li>○ 1<sup>st</sup> bullet: Add the word "SIGNIFICANT" and eliminate the word "EXPECTATIONS" to avoid problems with excessive information being provided to satisfy 'expectations' that may not be relevant to the purpose of the IR. This suggestion is in accordance with paragraph 3.19 (051)</li> <li>○ 5<sup>th</sup> bullet: Replace the word "expectations" with INTERESTS OR NEEDS (051)</li> <li>○ 7<sup>th</sup> bullet: Replace the concept "regulatory environment" with "regulatory framework" to avoid translation problems (051)</li> </ul> </li> </ul>
AC2	<p><b>C – PARAGRAPH 4.5 (Disclosures required in addition to the Content Elements)</b></p> <p>Comments specific to individual requirements in paragraph 4.5 included the following:</p> <ul style="list-style-type: none"> <li>• Material trade-offs—7 respondents called into question the effectiveness of the requirement to disclose the nature and magnitude of the material trade-offs (122, 130, 189, 272, 293, 303, 342); reasons cited included:             <ul style="list-style-type: none"> <li>○ Reporters would be either unable/have great difficulty (due to complexity) (189, 272, 293, 303, 342) or unwilling (due to the nature of the trade-off) (130) to satisfy this disclosure requirement.</li> <li>○ Should form part of the description of the Business Model rather than tread as a separate disclosure (122)</li> </ul> </li> <li>• Materiality determination process—3 respondents specifically cited that they were in favour of including this requirement (057, 173, 320), while 3 specifically disagreed with its inclusion (212, 340, 342) citing lack of usefulness or that it should be left up to the organization or its directors; another requested that the references to materiality in the various sections should be structured more clearly and linked together so as not to cause confusion about what is required or not (205)</li> <li>• Governance body—it is inevitable that it will be the board that cannot escape responsibility for the company's external reporting (342)</li> <li>• Reporting boundary—one doubted that it would be a key issue for &lt;IR&gt;, citing that materiality rather than boundaries should determine what is reported (342)</li> <li>• Immaterial capitals--two respondents specifically disagreed with the requirement to include the reason why any of the capitals are considered immaterial stating that such requirement conflicts with materiality principle (255) or would result in bland and unhelpful disclosures (342)</li> </ul>
AD1	<p><b>D – OTHER GENERAL COMMENTS</b></p> <p>Other concerns and recommendations included:</p> <ul style="list-style-type: none"> <li>• In order to make an effective contribution to capital markets decision making, an integrated report needs both to address the right issues and provide information that can be incorporated into the decision making process; most preparers will find this latter point particularly challenging and would benefit from guidance on meeting the information requirements of the Framework (122)</li> <li>• Keep Chapter 4 principle based (301)</li> <li>• Clarify that duplication of certain disclosures with other reports is supported and appropriate (339)</li> <li>• Some content elements are unlikely to change significantly each year and therefore should not be required to be reported within the integrated report (212)</li> <li>• Clarify the linkage between the materiality analysis and the report elements (249)</li> <li>• Recommend that organizations provide information about on-going training or acculturating initiatives for their staff that is related to integrated thinking (273)</li> <li>• Treatment of the capitals:             <ul style="list-style-type: none"> <li>○ Clarify the concept of value and the linkage to the concepts of capitals (249)</li> <li>○ Explicit articulation of a range of high level principles (e.g., working conditions, pay rates, anti-</li> </ul> </li> </ul>

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	<p>discrimination policies) applicable to each category of capital would enable better comparability and consistency in presentation, albeit that the way in which such items were implemented would vary from one entity to another (177)</p> <ul style="list-style-type: none"> <li>○ To the extent that an Integrated Report is intended to be an investor-focussed corporate communication, the lack of focus on financial capital value is compounded in the wording of many of the Content Elements in chapter 4, which refer to the capitals and value in a more general sense (181)</li> <li>○ Concern expressed over the introduction of the six capitals concept and the questionable positioning of the business model in the &lt;IR&gt; Framework, eroding the integrity of the strategy framework (329)</li> </ul> <ul style="list-style-type: none"> <li>● Concerns over connectivity included:             <ul style="list-style-type: none"> <li>○ Include a reference table at the end of the integrated report with the identification of the different disclosures applicable to different frameworks (191)</li> <li>○ A strong focus on the investment thesis is needed in order to link the content elements effectively. (092)</li> <li>○ Core concept for which more guidance is needed (e.g., should connectivity between strategic objectives, capitals and performance be identified?) (279)</li> </ul> </li> <li>● Concerns were expressed over application to public sector (182) and scalability for small or medium sized entities (226)</li> <li>● &lt;IR&gt; should not be a concept that appears to down play the importance of a standalone sustainability report, which serves a different purpose to the integrated report (145)</li> <li>● Whether “Content Elements” in the Chapter 4 are appropriate or not will depend largely on the expected role of integrated reports as discussed previously in Question 2. If the integrated report is merely an index of other previously provided reports, much of “Content Elements” should be omitted.</li> <li>● Some contents found in External environment (4A), Governance (4B), and Strategy (4D) seem to appear in a rather abrupt manner and not integrated into the framework structure. They may negatively affect organizations’ reporting and understandability of stakeholders by encouraging ticking-box style reporting which may conflict with the principle of connectivity, materiality and conciseness. (333)</li> </ul>
	<p>Comments on specific paragraphs included:</p> <ul style="list-style-type: none"> <li>● Paragraph 4.1:             <ul style="list-style-type: none"> <li>○ To improve readers’ understanding, revise to read: “An integrated report includes the following Content Elements, answering the <u>respective</u> specific question posed for each one of <u>the elements</u>.” (219)</li> <li>○ We are supportive of the notion that an integrated report should stand alone as a concise communication, and therefore we recommend that its creation and distribution be centred within the communications team. (235)</li> </ul> </li> <li>● Paragraph 4.2: Be clearer about how the information disclosures can be shown in an integrated way (208)</li> <li>● Paragraph 4.3: The remark that preparers should regard the elements as questions that should be answered while considering the guiding principles, rather than as a fixed structure, is important and deserves even more emphasis in the Framework (170)</li> <li>● Paragraph 4.4:             <ul style="list-style-type: none"> <li>○ Should not be a principle (342)</li> <li>○ Gives impression that is a third report separate from annual and sustainability reports (173)</li> <li>○ Clarify that an integrated report is different than the financial statements and sustainability report (263)</li> <li>○ Should restrict reference to stakeholders to providers of financial capital, rather than to stakeholders generally (organizations may wish to communicate with other stakeholders, but bringing them within the scope of &lt;IR&gt; is likely to lead to a loss of focus (342)</li> <li>○ Should be elaborated with short explanatory text, or cross-referenced to paragraphs. 1.18 – 1.20; an integrated report should address what stakeholders ‘need’ not just ‘want’ (094)</li> <li>○ Linking to other reports may provide opportunity to offload bad news into supplementary reports, which</li> </ul> </li> </ul>

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	<p>by their size, could overwhelm readers with information, thereby disguising critical information (147)</p> <ul style="list-style-type: none"> <li>o Linkage to other reports may create compliance issues in some jurisdictions (340)</li> </ul>
AE3	<p><b>E – ORGANIZATIONAL OVERVIEW AND EXTERNAL ENVIRONMENT (4A)</b></p> <ul style="list-style-type: none"> <li>• The phrase 'External environment' may not universally translate well and could be construed to just refer to the external natural environment; it was suggested that External Context be used instead (051)</li> <li>• Distinguish micro environment (like in the classical Porter's 5 forces) from macro environment, using the classical PEST analysis (066)</li> <li>• Provide case studies to show how information on market positioning can be disclosed without exposing market-sensitive data (236)</li> <li>• Permit companies to disclose information about the organization produced independently by third parties, whenever this information is judged relevant by the company for the report and recommending that they assess in advance which information available on the market is considered relevant and can be consistently presented over time (273)</li> <li>• Report, in order to be useful to all stakeholders, should give a realistic impression of the overall competitive landscape and the firm's approach to opportunities and risk. (278)</li> <li>• Add sustainability context where companies' environments impact society and the environment (338)</li> <li>• Add examples and guidance similar to paragraph 4.23 (225)</li> <li>• Paragraph 4.6 (Content Element) overlaps with the business model question at paragraph 4.21; accordingly, suggestion made to redraft 4.6 to focus on the external environment and business context</li> <li>• Paragraph 4.7:             <ul style="list-style-type: none"> <li>o Add a short description of the value chain—the value chain would be set out in more detail in 4E (154)</li> <li>o Remove 'identification of the bargaining power of customers and suppliers' from first bulleted item; this is extremely sensitive information and could harm relationships (234)</li> </ul> </li> <li>• Paragraph 4.8:             <ul style="list-style-type: none"> <li>o Change 'Factors affecting' to '<b>Significant</b> factors affecting' (051)</li> <li>o Paragraphs 4.8 and 4.9 discuss significant factors affecting the external environment; however, stakeholders are primarily interested in significant external factors that potentially affect the organization. Accordingly, respondent recommended revision of the language (219).</li> <li>o Sensitivity analyses of the most important external factors that could influence value creation should be included in paragraphs 4.8 and 4.9. "Sensitivity analyses" are mentioned in paragraph 4.37; however, these analyses could also be helpful in understanding the relationship between external factors and value creation. (258)</li> <li>o Companies should be required to state more than just the context in which they operated—they should also state how they are responding to this context. Accordingly, respondent recommended to consider providing examples of key variables related to these issues in describing context and the company response, including specific company policies in countries in where a company operates and how these policies address the external context for various health and family matters cited by the respondent. (268)</li> <li>o As part of the external environment there are a wide range of elements in the upstream supply chains that are part of the circumstances under which organizations operate. It would be interesting for organizations as well as the primary intended report audience to have a focus on this point in such a report as in a number of sectors, most of the capitals is likely to be located upstream, coupled with risks and opportunities to be dealt with. (349)</li> </ul> </li> <li>• Paragraph 4.9:             <ul style="list-style-type: none"> <li>o Companies should talk about themselves and not analyse competition in their reports (041. 234, 248).</li> <li>o A good question for companies to try to answer: 'If my firm didn't exist, how might society/stakeholders be worse off/better off?' The question would force firms to identify their value-add. In their absence,</li> </ul> </li> </ul>

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	<p>‘What stakeholder needs could competitors fail to address?’ (147)</p> <ul style="list-style-type: none"> <li>○ Sensitivity should be shown towards motivating organisation to comment on the political environment of countries in which they operate (215)</li> <li>○ Environmental challenges, such as climate change, the loss of ecosystems, and resource shortages as planetary limits are approached .... the loss of biodiversity and ecosystem services ..... would be more appropriate! (223)</li> <li>○ References to the needs, interests, and expectations of the stakeholders is vague and would require significant interaction with the stakeholder groups, which may be highly impractical. (234)</li> <li>○ Focus on changes or trends that have a material effect on performance rather than discussing legal, regulatory, commercial, social, environmental and political context, which would generate a substantial volume of boilerplate information for most companies (248, 295)</li> <li>○ Although the first and the sixth bullets are important, shouldn't the "sustainability context" in which companies operate be clearer? (263)</li> <li>○ The factors listed in 4.9 are intended to show mere examples and should not be used as a checklist; however, this point should be clearly mentioned here. (333)</li> </ul>
AF2	<p><b>F – GOVERNANCE (4B)</b></p> <ul style="list-style-type: none"> <li>● The actual innovation of the Framework should probably be the request of explanation about the linkage among remunerations and incentives and their linkage with capitals in the short, medium and long term; however, very few organisation would divulge such details in the absence of mandatory provisions--even listed companies tend only to mention their remuneration and incentive criteria, which are often generically summarised as performance-based. (207)</li> <li>● Showing the linkages between remuneration incentives and value creation is laudible but this requires the disclosure of the performance contracts of senior executives - these are often considered private and not for public consumption thus requiring them under integrated reporting may run counter to local regulations (215)</li> <li>● The approach to governance has excessive focus on actions and positioning by senior management; recommend an approach more focused in providing a comprehensible picture of the structure and processes of governance and decision making and best practices applied (255)</li> <li>● Remuneration &amp; incentives are extremely important drivers of behaviour; the common misunderstanding - that owners of shares of the equity capital are owners of the company - is at the root of the (mis)behavior of decision makers in most of the companies, for their remuneration is linked to the success of some of the current shareholders, which is not necessarily the success of the company (263)</li> </ul>
AF3	<p>Proposed additional items to be disclosed included:</p> <ul style="list-style-type: none"> <li>● Who is charged with governance and what the organization is set up to achieve (079)</li> <li>● The 'competence and experience' should be added to the diversity and skills of those charged with governance (1<sup>st</sup> bullet of paragraph 4.11) (032, 132, 175, 290, 291, 297, 299)</li> <li>● The process of appointing the leadership structure (091)</li> <li>● The length of service of board members, the average turnover rates over time, and how often dissenting votes are recorded in the company minutes (170)</li> <li>● Mechanisms for addressing integrity and ethical issues (191)</li> <li>● Lobbying policy (115, 285)</li> <li>● Description of the supply chain (191)</li> <li>● Change management (169)</li> <li>● Influence and review by directors of the Internal controls of the organization (189)</li> <li>● Remuneration of management should reflect an integrated view of the company as well as an approach to managing risk and creating value (175) / executive compensation (241)</li> </ul>

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AF4	<p>Comments on paragraph 4.12:</p> <ul style="list-style-type: none"> <li>• Duplicates last bullet point of paragraph 4.11 and is overly prescriptive in relation to the rest of the framework and thus should be deleted (120, 219)</li> <li>• Not clear about what is the quantitative and qualitative information related with the remuneration and incentives (208)</li> <li>• A more neutral or nuanced phrasing of this section might address current problems with over-complex remuneration schemes and whether pay can truly reflect performance; for example, the first sentence might clarify the scope by being amended to ‘..an integrated report focuses <b>not only</b> on significant <b>financial</b> compensation policies and practices (...) <b>but also looks at other motivations and incentives that drive human behaviour</b>’. (107)</li> <li>• Paragraph 4.12 goes against the goal of integrated reports and requires unreasonable disclosure of specific information; examples in 4.11 will suffice (333) and was considered particularly problematic (295)</li> </ul>
	<p>Other requests for <b>revision</b> included:</p> <ul style="list-style-type: none"> <li>• Revising the name of the Content Element to include integrity (e.g., Governance and integrity) (191)</li> <li>• Focusing the primary question on governance in paragraph 4.10 on how organization’s governance practices emphasize accountability, transparency and ethics, citing while good governance is part of value creation, the key principles of governance are accountability, transparent processes and ethics (104)</li> <li>• Framework should centre around how remuneration and incentives create value, and not simply on the policy itself as there is a risk of including boilerplate language and repeating static information (326)</li> <li>• One of the main questions 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?" (351)</li> <li>• The need to cover a more general description of the governance strategy of the organization to give the reader a better opportunity to evaluate the governance than when the description is entirely steered (167)</li> <li>• Acknowledgement of role that regulatory requirements play in influencing the design of governance structures in many industries (321)             <ul style="list-style-type: none"> <li>○ Organizations should be required to clearly identify the regulation and legislation that has the most material impacts on the business and to state how such regulation and legislation currently affects and will likely affect the business going forward (200)</li> </ul> </li> <li>• Paragraph 4.11:             <ul style="list-style-type: none"> <li>○ Revise the introductory language to make it clear that the listing are examples; such as “An integrated report <b>may</b> provide insights about such matters as” (333)</li> <li>○ Provide more detail on what it means by “providing insight about leadership structure” (1<sup>st</sup> bullet) (191)</li> <li>○ One respondent questioned whether diversity refers to matters such as gender, race or age rather than a range of different backgrounds and skills (342)</li> <li>○ Reconsider the inclusion of bullet points 2, 3, 5 and 6, which don’t seem to be very significant matters in terms of explaining the ability of the organization to create value (184)</li> <li>○ Reconsider the inclusion of bullet points 4 and 6, which won’t produce useful disclosures (342)</li> <li>○ Clarify what is expected in terms of “specific processes” particularly as information related to culture and attitude to risk could be commercially sensitive (2<sup>nd</sup> bullet) (246)</li> <li>○ The request for “particular actions” on governance related to strategy and risk management seems more detailed than other disclosures, and could instead more generally describe how governance is organized to address material matters (3<sup>rd</sup> bullet) (246)</li> <li>○ “The organization’s culture, ethics and values” are related to a “moral capital”, an additional capital recommended by the respondent (4<sup>th</sup> bullet) (263)</li> <li>○ Who determines best governance practices given that governance in part is dictated by the structure</li> </ul> </li> </ul>



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	<p>of an organization and laws or regulations that apply to it? (5<sup>th</sup> bullet) (150)</p> <ul style="list-style-type: none"> <li>○ Why should those charged with governance be responsible for promoting and enabling innovation; this is a strategic decision that should be the responsibility of management with oversight by governance (i.e., the board). (6<sup>th</sup> bullet) (248)</li> <li>○ Reference should be made to the value preservation imperative (021)</li> </ul>
AG1	<p><b>G – OPPORTUNITIES AND RISKS (4C)</b></p> <ul style="list-style-type: none"> <li>• Opportunities and Risks' is directly related to the material issues and yet the link is not clearly shown here. It is not possible not identify what is material to the organisation unless the risks and opportunities have been identified first - It could be possible to follow the framework and end up with risks and opportunities that are not included in the materiality section and vice versa. (211)</li> <li>• Report on material uncertainties rather than opportunities and risks. Reporting organizations could explain their model, what is inherently difficult to predict and why, how they go about prediction, how they factor in the impact of their own activities, what they are doing to learn more about their environment and how their actions lead to good outcomes, and what remains uncertain about the future. This would include discussion of all the capitals and somewhere in there, surely, would be such traditional concerns as health, safety, pollution, and financial ruin.             <p style="margin-left: 20px;">Not only is there a great opportunity to write something wonderfully helpful, but if this is not done the text on 'risks and opportunities' will make things worse than they are now. Organizations have been told over and over again by corporate regulations to identify their risks and manage them. This has led to a tendency to try to manage risk using a new, separate activity called risk management that involves making lists of 'risks' and deciding what to do about each one. The resulting bureaucracy of risk registers and heat maps has added little and distracted people from dealing with risk in core management activities such as business planning, business design, decision making, evaluation, and sense-making.</p> <p style="margin-left: 20px;">We need to get risk/uncertainty dealt with competently within core management activities, not encourage people to shift it even further away into separate meetings, agenda items, documents, and roles. The Integrated Framework provides an excellent opportunity to point people in the right direction. (003)</p> </li> <li>• The title of 4C <i>Opportunities and risks</i> was also called into question (005, 020, 219).             <ul style="list-style-type: none"> <li>○ There was a suggestion that the name of this Content Element be changed to '<i>Major uncertainties</i>' - these could be either positive or negative (003)</li> <li>○ Similarly it was pointed out that risks can result in either positive or negative outcomes and in the context of Content 4C it might be better to use '<i>Opportunities and threats</i>' whereby 'risk' is replaced with 'threat' in Section 4C and other places of the Framework (005)</li> <li>○ Two other respondents also recommended the use of 'threats' over 'risk' (020, 219)</li> </ul> </li> <li>• One respondent expressed major concerns with respect to positioning, disclosures, and criteria and provided appendices showing marked changes to Section 4C and conforming changes to the rest of the draft Framework: (020)             <ul style="list-style-type: none"> <li>• Positioning – Some important concepts and terminology for this Content Element need to be better aligned to the mechanics of how risk arises and is managed in an organizational context. The term 'opportunities and risks' is therefore confusing two concepts: 'opportunities' being a cause of a risk event and 'risk' being an event or change in situation. This is more than just an issue of definitions of terminology, key concepts are being muddled. In an organizational context 'risk' is not the inverse of 'opportunity', the inverse is 'threat' or 'hazard'. It is important to describe the causes correctly and to refer to risk when the intended meaning is 'the effect of uncertainty on objectives'. Three alternatives were provided with the recommended one being replacing 'risk' with 'threat'.</li> <li>• Disclosures - The focus is too narrow for many modern organizations; the assessment should be changed from the assessment of each individual 'opportunity' and 'risk' to an assessment of the level of risk that may be caused by 'opportunities or threats' to better reflect the mechanics of how risk arises in an organization. Likelihood and magnitude also should be changed to an assessment of 'the level of risk' that may be caused by opportunities or threats. Many organizations have more sophisticated risk assessments than the qualitative likelihood and consequence matrix that is implied in paragraph 4.15.</li> </ul> </li> </ul>

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	<ul style="list-style-type: none"> <li>• Criteria - The definition of risks that should be reported is too restrictive</li> </ul> <ul style="list-style-type: none"> <li>• Another respondent focussed on the need to (1) discuss opportunities and risks in an integrated way with the other Content Elements and not in isolation, (2) adopt scenario planning as a method to assess and describe risk, and (3) for the Framework to refer to specific risk management guidelines; respondent provided the following arguments: (219)             <p style="margin-left: 20px;">Content Element <i>Opportunities and risks</i> (section 4.C) does not do justice to the fact that opportunities and risks (threats) don't exist in isolation, but are, in fact, integral and inextricable parts of all other Content Elements. This Framework should not encourage or sustain describing opportunities and threats in isolation, which is an outmoded practice. Instead, opportunities and threats should be better discussed in, or better integrated with, the context in which they come about, which could range from Organizational Overview to Future Outlook. This would also greatly reduce the risk of boilerplate disclosures on opportunities and risks (as noted in paragraph 4.16).</p> <p style="margin-left: 20px;">Subsequently, the IIRC could redefine and rename Content Element <i>Opportunities and risks</i> into <i>Risk Management and internal control</i>, in which the reporting organization could describe the design and operating effectiveness (i.e., performance) of its risk management and internal control arrangements. This would be further improved if this discussion is included in the discussion about the governance of the organization (section 4.B), reducing the content elements from 7 to 6.</p> <p style="margin-left: 20px;">Scenario planning—The simple assessment of likelihood and magnitude to evaluate risks (paragraph 4.15) is no longer considered good practice, as a risk event might lead to a series of different effects or consequences, each with their own likelihood and magnitude. Scenario planning is a good alternative, and fits cleanly in the integrated report.</p> <p style="margin-left: 20px;">In addition, risks don't "come to fruition" (paragraph 4.15, second bullet) as if they are lying dormant and waiting to come out. Risks do not exist in isolation but are inextricably connected to the objectives an organization wants to achieve. Perhaps this could be rephrased to specify that a risk event may occur and can have different consequences, from none to serious. Alternatively, consideration might be given to using a schematic formulation—a risk source might lead to a risk event, which might lead to a series of consequences. The key point, however, is that risks should not be assessed or reported on in an isolated manner.</p> <p style="margin-left: 20px;">Paragraph 4.17 states that, "An integrated report identifies the organization's approach to any risks...that could have extreme consequences, even where the likelihood of their occurrence might be considered quite small." This is both impractical and not particularly useful for the reader, as many risk events could have extreme consequences but only with small likelihoods for each of those extreme consequences. An alternative could be to say an integrated report should report on how the organization has assessed and treated all relevant material risks that have gone beyond the organization's limits for risk taking.</p> <p style="margin-left: 20px;">Specific risk management guidelines—Please note that the recommended method to estimate the level of risk by computing its assessed likelihood and magnitude is often too simplistic. Therefore, the additional guidance in 5B is not actually helpful. Instead, this Framework could refer to specific guidelines in this respect, such as the recent ISO standard 31000:2009 Risk Management.</p> </li> </ul>
	<p>Comments of a general nature included:</p> <ul style="list-style-type: none"> <li>• Reporting, in order to be useful to all stakeholders, should give a realistic impression of the overall competitive landscape and the firm's approach to opportunities and risk (278)</li> <li>• Value destruction and preservation should be emphasized more; the risk of value destruction in the long-term is not afforded as much prominence (125)</li> <li>• The difficulty of calculating the price or cost of externalities could be used as justification to not consider an issue material. One way to address this is to more explicitly state the time horizons of opportunities and risks in Section 4C (e.g., 4.17). This would help companies consider megatrends or long-term opportunities and risks, such as climate change, population growth, water shortage, etc. (125)</li> <li>• Concerns were also expressed about confidentiality and business sensitivities (043, 154, 246, 289, 326):             <ul style="list-style-type: none"> <li>○ Publication of information relating to business opportunities may be prejudicial to the best interests of the organization (043)</li> <li>○ It may be quite difficult to provide much information on the principal opportunities for the business as</li> </ul> </li> </ul>

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	<p>these may be commercially sensitive; accordingly, further exploration of this area would be helpful (154)</p> <ul style="list-style-type: none"> <li>○ Disclosures of opportunities may cause trouble in terms of confidentiality and should not be included (289)</li> <li>○ Legal departments within organizations will likely need to be further engaged on the value of an integrated report, as companies may be challenged on its disclosure of specific opportunities and risks compared to regulatory requirements for similar disclosures (326)</li> </ul> <ul style="list-style-type: none"> <li>● The principle-based approach to reporting information about an organization's risks could result in a "boilerplate" disclosure tactic and potentially lead to a lack of completeness (131)</li> <li>● The balance of the Framework is towards the positive factors in explaining the value creation story of an organisation. Risk and understanding how an organisation approaches, identifies and counters risk is very important to users of an integrated report. Consideration should be given to including more information around risk (146)</li> <li>● Boilerplate risk statements are not useful; the risk statement should build off an entity's risk management system (150)</li> <li>● There should be a linkage (integration) of opportunities and risks covered under 4C with materiality matters of organization (124)</li> <li>● It helps companies to consider megatrends or long-term opportunities and risks, such as climate change, population growth, water shortage, etc. that impact the business and that could more likely be seen as material and included in an integrated report (172)</li> <li>● Reference should be made to the value preservation imperative and its link to the identification, measurement and management of risks (021)</li> <li>● When reporting on opportunities and risks, it could be relevant to cite risks maps or other risks frameworks (i.e. COSO), or to do not go so much away from classical SWOT analysis (066)</li> <li>● For the identification of opportunities and risks within human, structural and organizational capital the application of the "Wissensbilanz - Made in Germany" (a German ICS approach) has proven its capableness (257)</li> <li>● Depending on their maturity, companies may not be ready for complete disclosure on opportunities and risks for every capital (328)</li> <li>● 'Opportunities and risks', should be reported in such a way that gives them meaning, scale and probability of internalization as a minimum (346)</li> <li>● Add example and guidance to this Content Element similar to paragraph 4.23 (255)</li> </ul>
	<p>Comments addressing specific paragraphs included:</p> <ul style="list-style-type: none"> <li>● Paragraph 4.15: <ul style="list-style-type: none"> <li>○ Rather than asking for the disclosures listed in this paragraph, companies should be asked about their risk process—how risks are identified, assessed, and managed; companies can then include examples as they see fit or link to their Form 10-K statements on risk (121)</li> <li>○ 1<sup>st</sup> bullet: Is this asking companies to reveal too much and does it conflict with other statements? It appears to allow no safe harbour on disclosure (057)</li> <li>○ 2<sup>nd</sup> bullet: Likelihood and magnitude are simply the dimensions of risk, which companies already report; companies should not be expected to divulge more detailed data on risks which could be misleading when taken out of context or could be commercially sensitive (246)</li> <li>○ Disclose those highly unlikely catastrophic risks which any organization faces, and which are uninsurable (064)</li> </ul> </li> <li>● Paragraph 4.16: <ul style="list-style-type: none"> <li>○ Can we trust firms to judge what constitutes "practical" use? Perhaps they could quantify or visualize risks so they are not as easy to portray in a cookie-cutter manner (147)</li> <li>○ Agreement was expressed with cautioning against 'boilerplate' disclosure and that disclosures on</li> </ul> </li> </ul>

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	<p>opportunities and risk over a range of areas need to be specific and evidence-based (107)</p> <ul style="list-style-type: none"> <li>○ "Boilerplate" would be better phrased in the positive; for instance as: "Information on risks and opportunities must be specific to the organisation. Lists of general industry risks and opportunities should be avoided. The aim is to enable the user of the report to apply the information in order to assess the organisation's current and future exposure and the suitability of actions whether proactive or reactive." (189, 293)</li> <li>● Paragraph 4.17:             <ul style="list-style-type: none"> <li>○ Where events of small likelihood, yet having extreme consequences - are asked for, seems contradictory to the materiality principle. Natural catastrophes would fall into that category.... Is it really the purpose? (041)</li> <li>○ Include cross-reference to paragraph 5.11, which further elaborates on and clarifies the point made in 4.17 regarding likelihood of occurrence (120)</li> <li>○ Amend to read: "An integrated report identifies the organization's approach to any risks - <b>be they in the short, medium or long term</b> - that are fundamental to the ongoing ability of the organization to create value..." (125)</li> <li>○ Concerned that disclosure of risks that could have extreme consequences even where the likelihood of their occurrence is quite small would seem to require disclosure of remote risks, which goes beyond the requirements for financial statement disclosures of uncertainties and is highly impractical and could be misleading (234)</li> </ul> </li> </ul>
AH1	<p><b>H – STRATEGY AND RESOURCE ALLOCATION (4D)</b></p> <p><b>Competitive threat concerns:</b></p> <ul style="list-style-type: none"> <li>● Arguably, the Content Element <i>Strategy and Resource Allocation</i> will be the most difficult part of the Framework to implement because organizations will see this as laying out their competitive strategies, which they believe are highly secret and should be rarely disclosed outside of a small group of people within the business; however, the objective setting element (mission, vision, strategic objectives) could be better emphasized in the title and the text of this Content Element (219)</li> <li>● Disclosure around competitive advantage will need to be really high-level due to confidentially reasons; sharing long-term plans could inadvertently result in providing insight to competitors (268)</li> <li>● Presentation of strategies and resource allocation issues are very sensitive, unlikely to be approached with due transparency required by the Framework; presentation of this information is unlikely to have financial bias, since it can directly affect the competitive advantage, which contradicts the very passage of the framework that deals with the disclosure of items that the strategy relates to competitive advantage (292)</li> </ul> <p><b>Role of stakeholder consultations:</b></p> <ul style="list-style-type: none"> <li>● One respondent thought that the key features of stakeholder consultations in formulating strategies and resource allocation plans is too prescriptive—strategy is for those charged with governance; they make the decisions, and explain that to market, they don't need to divulge sources (150)</li> <li>● Disagreement expressed that key features and findings of stakeholder consultations should be used to formulate strategy and resource allocation; while the concerns of stakeholders should be known and considered, this is the responsibility of management with oversight by the board (248)</li> <li>● Stakeholder consultations is misplaced and should be moved to paragraph 4.17 in Section 4C, Opportunities and risks, as stakeholder consultations are critical for defining materiality and not for defining strategy; strategy is an informed choice for the company in terms of both positioning and resource management, not the outcome of a consultative process (191)</li> <li>● Third bullet of paragraph 4.20: One thought should be removed entirely as strategy and resource allocation is not always going to be formulated directly by stakeholder consultations (184) while another suggested changing stakeholder "consultation" to "engagement" as this is a broader term (133)</li> </ul>
AH2	<p>Other comments included:</p> <ul style="list-style-type: none"> <li>● Large organizations will have difficulties in being concise (057)</li> <li>● Requirements overlap with Brand Strategic Review for which guidance already exists (011)</li> </ul>

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	<ul style="list-style-type: none"> <li>• Highlight 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) (351)</li> <li>• Provide guidance on what a "resource allocation plan" includes at a minimum (011)</li> <li>• It is not clear what is expected to be included in descriptions of "resource allocation", or indeed how resources differ from the capitals in paragraphs 4.19-4.20 (246)</li> <li>• Link strategy setting, tactical planning, and operational execution; refer to the allocation of resources between value creation and value preservation (021)</li> <li>• Paragraph 4.18: Principles-based requirement as presented appears a rather vague, broad and open ended question about the whole report, rather than clarifying the link between strategic objectives and resource allocation (246)</li> <li>• Paragraph 4.19: Force firms to define success on their own terms; this would be more meaningful than the cliché corporate-speak of "increasing shareholder value." (147)</li> <li>• Paragraph 4.20 (also see paragraph AH1 above):             <ul style="list-style-type: none"> <li>○ Amend to read as follows: "The linkage between the organization's <b>strategic objectives</b>, strategy, and resource allocation plans..." to be consistent with paragraph 4.19</li> <li>○ Include an additional topic recommending disclosure of information on the organization's posture towards environmental and social limitations (scarcity of natural resources, global warming, pollution, waste, etc.) (273)</li> </ul> </li> </ul>
<p>AI1</p>	<p><b>I – BUSINESS MODEL (4E)</b></p> <p>Agreement with FW concepts:</p> <ul style="list-style-type: none"> <li>• The underlying model of stocks, flows, and the business model is a step up from the usual vague talk about business models, yet without blinding us with system dynamics (003)</li> <li>• We welcome the specification of business model as a Content Element - that is, as something that must be reported in an integrated report. While the business model may be more fully detailed in other communications, we believe it belongs, at least in summary form, in each integrated report. (149)</li> </ul>
<p>AI2</p>	<p>Comments regarding multiple business models:</p> <ul style="list-style-type: none"> <li>• A number of different approaches to applying the &lt;IR&gt; framework would be possible for organizations with multiple business models—an integrated assessment could be made of the holding company on its own, of each division or of a combination of the two (060)</li> <li>• Conglomerates or groups with highly diverse businesses and integrated reporting/thinking may not go well together, but there may be exceptions when top management has a focus on the overall strategy (087)</li> <li>• Concern was expressed that the approach to investment management business in paragraph 4.25 risks being overused, and even when appropriate, some content about investee businesses should also be provided, particularly in relation to risks and performance (outcomes) (149)</li> <li>• It should be possible to apply &lt;IR&gt; by organizations with multiple business models in a scalable way (257)</li> <li>• Provide more detailed information so that the current status of all organizations can be assessed; in situations in which there is a less granular distribution of relevant businesses, users of the integrated report will not be provided with highly relevant information if the organization is restricted to only reporting on one activity which is believed to be central to its business (273)</li> <li>• The Framework says that organizations should submit all their business models, using diagrams and flows to demonstrate the "inputs", operating activities and "outputs"; however, some companies such as financial, have numerous business models (equity, for example). Concept of materiality should also be considered by the Administration to present business models or present a consolidated model. (292)</li> <li>• It isn't clear how an organization would choose the different options under paragraphs 4.24-4.26 and the benefits of doing so; connectivity could be lost between brands/businesses which are material to investors decision making (308)</li> </ul>



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AI3	<p>Additional requests included</p> <ul style="list-style-type: none"> <li>• Disclose extent to which organisation is committed to investing in value preservation both qualitatively and quantitatively (021)</li> <li>• In terms of outputs, a two-step process should be used: a) material impacts on capitals - the facts and b) management view on the opportunities and risks (026)</li> <li>• Paragraph 4.21: Be more descriptive of 'to what extent is it resilient'; unclear whether the world would be a better place if we created more resilient (as in bending, flexible, lenient, limber, pliable, pliant, soft, yielding) entities—prefer 'anti-fragile', which is a relatively new word which goes further than resilient and robust; it invites entities to be creative and intelligent, changing form to evolve into new business models, destroying preconceived business models and always looking forwards, seeking out options and opportunities and where appropriate de-constructing itself to create even more value in the longer-term. Respondend cited literature in this area (287).</li> <li>• Paragraph 4.22:             <ul style="list-style-type: none"> <li>○ 1<sup>st</sup> bullet: The Framework should specify which types of inputs are considered for the business model (e.g., materials, labour force) (255)</li> <li>○ Some parts of the framework, such as the second dash in the second bullet of paragraph 4.22, are unnecessarily detailed and could, therefore, be deleted (219)</li> <li>○ 4<sup>th</sup> bullet: Emphasize the importance of providing information on social and environmental externalities; inform that companies might disclose information about the organization's image based on the opinion of its stakeholders (measured using surveys and other methods), whenever judged relevant by the company for the report (273)</li> <li>○ Include link between value creation and resilience, strengthening human capital and social capital: on all components of "working and working-conditions" supply-chain (351)</li> </ul> </li> <li>• Paragraph 4.23             <ul style="list-style-type: none"> <li>○ Reporting boundaries need to be carefully set to avoid excessive reporting relating to the position in the value chain (089); another questioned what was meant by position in the value chain (212)</li> <li>○ The same example and guidance in this paragraph can be applied to the report of external environment and risks and opportunities of the organization (255)</li> <li>○ Mention the direct and indirect impacts on all capitals as well as other factors interfering with the aforementioned external environment in the 4<sup>th</sup> bullet (273)</li> </ul> </li> </ul>
AJ1	<p><b>J – PERFORMANCE (4F)</b></p> <ul style="list-style-type: none"> <li>• Non-prescriptive guidance should be provided over the different types of quantitative disclosures to be included in an integrated report, recognising the different objectives that individual disclosures need to fulfil in order to meet the report user's needs. For example, quantitative disclosures that provide additional information in relation to:             <ul style="list-style-type: none"> <li>○ Context disclosures that provide detail on the business model in order that report users can assess what part of the business is potentially affected by a particular issue – such as the identification of recurring and non-recurring customer contracts</li> <li>○ Risk indicators that enable report users to understand the extent to which significant but potentially remote issues are being managed – such as the retention of key staff</li> <li>○ Progress indicators that demonstrate the extent to which the business strategy and plans have been implemented – such as progress in expanding the business presence or customer base into new markets</li> <li>○ Reward indicators (covering both financial and operational outcomes) that demonstrate the impact that</li> </ul> </li> </ul>

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	<p>an issue or action is having on business outcomes that drive future shareholder returns – such as customer acquisition or key market revenues, and</p> <ul style="list-style-type: none"> <li>○ Where necessary, alternative narrative disclosures where quantitative disclosures are not considered appropriate.</li> </ul> <p>These measures support the identification of both leading (future outlook) and lagging (current performance) indicators. (122)</p> <ul style="list-style-type: none"> <li>● Include a recommendation that quantitative indicators should be chosen based on the Guiding Principles in the Framework, putting greater emphasis on an integrated overview, and that organizations should state the indicators they have chosen in order to measure the information disclosed (273)</li> <li>● Include commentary on the use of leading, as well as lagging, key performance indicators to encourage reporters to think about and disclose how they can demonstrate active implementation of key risk controls (014)</li> <li>● The status quo of a material driver indicated by a KPI should be explained in regard to the current situation and the strategic objectives of the organization. This includes a clear statement about whether the current situation - indicated by the value of an KPI - is good / advantageous or bad /disadvantageous for the organization and what the reasons are as well as what potential short-, mid- or long term effects may arise from this (257)</li> <li>● 10<sup>th</sup> bullet mentions 2 types of qualitative information to accompany KPIs; should add 'the trend' to this and an explanation of what actions (or lack of them) have caused the trend over time or is the trend not related to strategies but caused by other (random) factors (031)</li> <li>● Some of the implied requirements are going significantly beyond what is currently provided, for example: the KPIs with forecasts for two or more future periods (5th bullet), comparative KPIs for 3 or more prior periods (6th bullet), and comparison of outcomes with forecasts (7th bullet). It is possible that there is a difference in the current approach of financial reporting (where direct forecasts would be rare) and sustainability reporting (where they may be more common practice). Existing common practice may be difficult to change in this regard, as has been the experience of some of the other narrative/non-financial frameworks. To achieve maximum take-up the framework may need to be less aspirational in this regard. (184)</li> <li>● Comments regarding the 5<sup>th</sup> bullet with respect to targets, forecasts or projections:             <ul style="list-style-type: none"> <li>○ Emphasize the fact that forecasts and projections should be produced with caution and should be periodically updated and reviewed; recommend that organizations present a disclaimer, explaining that external factors may interfere with their businesses and, as a result, forecasts and projections may not be achieved (273)</li> <li>○ This requirement seems very prescriptive in light of current practice as companies do not provide forecasts for all indicators and sometimes chose to give a forecast for the upcoming year only; recommendation made to rephrase to "Presented with <b>the corresponding</b> targets, forecasts or projections <del>for two or more periods</del> <b>communicated by the organization (refer to 4G)</b>" (296)</li> </ul> </li> <li>● Concerns regarding comparability:             <ul style="list-style-type: none"> <li>○ Without specific indicators, the Content Elements may not yield reports that are comparable across companies (123)</li> <li>○ If a firm finds that the metrics it has been reporting aren't really meaningful, and it decides to change KPIs, this may damage comparability in cases where data for past periods is unavailable. Often, firms will only measure what they are required to. How can firms address this possibility within the Framework? (147)</li> <li>○ Comparability principle (3F) could not be effective without references to specific indicators with precise definitions (288)</li> <li>○ More specific guidance would be helpful to increase comparability between business reporting and to encourage reporting of all appropriate information (318)</li> <li>○ Standard disclosures will be necessary so reports can be compared (326)</li> </ul> </li> <li>● Several recommended alignment with GRI:             <ul style="list-style-type: none"> <li>○ Map how Content Elements align to KPIs in G4 and other relevant disclosure frameworks (233)</li> <li>○ KPIs should be classified as per GRI (Core and additional indicators) and such critical KPIs should be</li> </ul> </li> </ul>
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	<p>given separate emphasis (Core and additional) (226)</p> <ul style="list-style-type: none"> <li>○ Add explicit reference to indicators as taken from the organization's sustainability reporting system (e.g., as recommended by GRI) (118)</li> <li>● What about KRIs? And which KPIs or KRIs will be available? (066)</li> <li>● Allow leniency to first time adopters regarding the requirements of paragraph 4.31 (083)</li> <li>● Comments on the concept of quantitative indicators in paragraph 4.31 included:             <ul style="list-style-type: none"> <li>○ Quantitative indicators need not meet all of the criteria in the list in order to be suitable (120, 286); recommendations to correct:                 <ul style="list-style-type: none"> <li>▪ Revise last sentence to read: Common characteristics of suitable quantitative indicators <b>may</b> include that they are..." (120)</li> <li>▪ Distinguish between "fundamental characteristics" which all quantitative indicators should satisfy, and "preferable characteristics" which are expected to satisfy to further enhance the usefulness (286)</li> </ul> </li> <li>○ One respondent supported "common characteristics of suitable quantitative indicators", in particular "relevant to the circumstances of the organization" presented in 4.31 and stated that indicators disclosed in communicating organizations' value creation, should not be boilerplate but designed to represent the unique value creation model through determining materiality by their own (302)</li> <li>○ Concerns over why "relevance", "consistency", "connectivity", and "materiality" which are all discussed as Guiding Principles in the Chapter 3 are listed again here in a slightly different manner; recommendation made to instead quote them here in particular materiality and connectivity as defined in the previous chapter (333)</li> </ul> </li> <li>● While the CD indicates that for quantitative indicators to be reported they need to be used by the organization, knowledgeable investor demand could also drive this (244)</li> <li>● Comments regarding benchmarks:             <ul style="list-style-type: none"> <li>○ Benchmarks should be part of the process of building reporting requirements (147)</li> <li>○ Agree with most of the qualitative items except for industry or regional benchmarks unless they are used by the organisation (150)</li> <li>○ There is real opportunity to demonstrate the link between financial performance and the capitals; however, benchmarks will be necessary to demonstrate improvement (326)</li> </ul> </li> </ul>
AJ2	<ul style="list-style-type: none"> <li>● Comments regarding reporting on the capitals             <ul style="list-style-type: none"> <li>○ Value comes in many forms; accordingly, the Framework needs to recognise clearly that quantification or monetary valuation is not always possible or appropriate. Paragraph 2.24 on quantitative and qualitative information on the capitals could be strengthened to reflect this. (198)</li> <li>○ Guidance could be given for the measurement of outcomes occurring as the result of an organization's impacts on the capitals; both positive and negative impacts should be measured and valued and, therefore, additional guidance on tools (either those available or those under development) could be worthwhile. (309)</li> <li>○ The principle that an organisation should report on outcomes in terms of effects on the capitals in paragraph 4.27 does not focus on what is of interest to the company's financial capital providers; in most cases, effects on other capitals are expected to be of interest only to the extent that they ultimately impact on financial capital (342)</li> </ul> </li> <li>● There appears to be a lot of linking to other documents (e.g., financial statements, remuneration reports); do not want duplication of information (150)</li> <li>● Paragraph 4.27:             <ul style="list-style-type: none"> <li>○ The part of the question that asks "to what extent has the organization achieved its strategic objective" asks for something that is by definition not yet achieved, otherwise the strategic objectives would not be stated any more. Thus, it would be better to more directly ask for whatever information should be</li> </ul> </li> </ul>

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	<p>provided here. (167)</p> <ul style="list-style-type: none"> <li>• Paragraph 4.28: <ul style="list-style-type: none"> <li>○ “Effects on capitals up and down the value chain” in the 3<sup>rd</sup> bullet should be softened as it could be viewed that an entity is to value each capital and show a statement that describes the movements between each capital (150)</li> <li>○ ‘Linkages’ is a very vague description; it should be clearer what is expected in this regard (167)</li> <li>○ Paragraph 4.28 requires disclosure of quantitative indicators with respect to value drivers, opportunities and risks. It would seem to be impractical to develop quantitative indicators for much of this. Rather, it would seem that qualitative indicators would be more readily applicable. While Paragraph 4.32 mentions that sometimes it may not be practical to measure quantitative indicators, Paragraph 4.28 seems to create a presumption that anything short of quantitative is of lesser quality. (234)</li> <li>○ Include a recommendation to use financial information as one of several performance indicators as the integrated report should state to what extent an organization has achieved its strategic objectives and what the effect has been on the various capitals (273)</li> </ul> </li> <li>• Paragraph 4.29: <ul style="list-style-type: none"> <li>○ The standard disclosure in annual reports of ‘employees are our best asset’ is widely and rightly quoted as meaningless and ineffectual reporting. In this regard, demonstrating the connectivity of financial performance with performance regarding other capitals would be particularly useful. Thus, disclosure on the expected revenue growth resulting from efforts to enhance human capital is more meaningful and provides better insight into company initiatives and strategy. (107)</li> <li>○ Stress correlation, and when possible, causal relationships of financial and non-financial measures to avoid arbitrary connections; encouraging connectivity of financial performance with performance regarding other capitals and communicating data across the organization bolsters adherence to the Guiding Principle of <i>Connectivity of Information</i>. (147)</li> <li>○ Importance of reporting on performance regarding other capitals should be reinforced (222)</li> <li>○ Not all environmental aspects can be monetized and they are no less relevant to the organization's ability to create value. In some cases, monetization can provide a simplified overview of issues related to sustainability and create an inappropriate association that implies mistruths. Recommended text to clarify: “When possible and considered strategic the company can demonstrate the connectivity between financial performance with performance regarding other capitals.” (255)</li> </ul> </li> <li>• Paragraph 4.30: It is hard to understand why this has to be provided here as part of disclosure of performance (333)</li> <li>• Include additional guidance under the “Performance” element: <ul style="list-style-type: none"> <li>○ That will assist entities to increase their comparability across periods by reporting against their targets. The additional guidance should not be prescriptive (205)</li> <li>○ As to how future performance, in particular, as it relates to the integration of the organization's sustainability and financial strategy and performance should be reported (233)</li> </ul> </li> <li>• Expand <i>Performance</i> Content Element to <i>Performance and capital position/effect on capitals</i> to express that both elements are necessary to make informed decisions about an organization (219)</li> </ul>
AK1	<p><b>K – FUTURE OUTLOOK (4G)</b></p> <p>Concerns over potential reputation and competitive risk, liability, difficulty and complexity of providing what some see as forecasts:</p> <ul style="list-style-type: none"> <li>• Should not be required to disclose trade secrets or information that would cause competitive harm/compromise competitive position (120, 153, 244)</li> <li>• If an organization realizes that it needs to change its business model, why would it let that information out, especially if the timing of their shift creates a temporary competitive advantage? (147)</li> <li>• Concerns about liability of directors and those charged with governance for forward-looking statements (148,</li> </ul>

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	150, 164, 185, 317)
AK2	<p>Concerns over forecasts and projections:</p> <ul style="list-style-type: none"> <li>• Another respondent thought that entities practically could disclose:             <ul style="list-style-type: none"> <li>a) Information around the main risk that could significantly impact the success of the strategy and how the entity intends to mitigate the risks. Such information should be as specific as possible; and</li> <li>b) An outlook on the environment in which the entity operates and some level of expectation about future targets and performance. (324)</li> </ul> </li> <li>• Supposing this question could be solved, most of companies will remain reluctant to make public some quantitative objectives, some strategic decisions and the progress of some projects due to competition matters. The respondent cited that certain rules allow an issuer to keep information internal if it could turn prejudicial and that it is important that this safeguard clause remains in the &lt;IR&gt; Framework. (289)</li> <li>• Section 4G indicates a far wider 'future outlook' orientation within the report than may be currently expected from regulatory reports or within financial statements that are subject to independent audit. Together with the forward looking performance information that is sought in paragraph 4.31, this may represent a step change in certain jurisdictions as to the level of forecast or target information that is typically included in a published report. The interaction between this and the regulatory environment within which an organisation operates and reports may be hard to resolve. (247)</li> <li>• With reports to be based on an organisation's cycle, which could be as long as eight to ten years, it is important that users of the integrated reports be appropriately cautioned about the potential for variability of any disclosures over this time period so that investors can appropriately take these matters into account in their decision making (317)</li> <li>• Listed companies have severe limitations about what they can say about the future and especially when it comes to financial projections (062, 146, 217)             <ul style="list-style-type: none"> <li>○ It should be entirely up to each public company to publish forward looking information in line with the legal requirements existing for their particular markets (062, 147)</li> <li>○ Future outlook will be the biggest hurdle to implementation of the framework in the USA (217)</li> </ul> </li> <li>• Forecasts and projections:             <ul style="list-style-type: none"> <li>○ Paragraph 4.37 was viewed as going too far; forecasts should not be required as implied by such paragraph (043, 120, 150, 184, 244); too much emphasis on quantitative future-oriented information (244, 266)</li> <li>○ For this section, it would be appropriate to refer to the well-known distinction between forecasts and objectives, used in financial communication. For example, a company may be asked to publish its objectives in terms of CO2 emissions and to measure its progress linked to these objectives. But it is more difficult to ask a company to forecast those emissions. This key orientation in the IIRC's work raises significant legal issues. Indeed, the legal rules applying to future-oriented information need to be investigated before considering its communication. (289, 296)</li> <li>○ Objective sensitivity analysis will be of more value to report users than high level management projections (122); but should not be mandatory for competitive reasons (266)</li> <li>○ 'Projected performance' should be amended to 'targeted performance' (122)</li> <li>○ Users of the integrated report should be cautioned as to the nature and variability of such disclosures and that they should not place any reliance on such information for their investment decision making (164)</li> <li>○ The further out an organization predicts, the more uncertain and incorrect that information is likely to be (164)</li> </ul> </li> <li>• Assurance difficulties involving forward-looking information; audit implications need to be considered (183, 247)</li> </ul>
AK3	<p>Broad recommendations, proposed changes to specific paragraphs, and other requests for further clarification:</p> <ul style="list-style-type: none"> <li>• It would be helpful for the framework to provide further clarification around <i>Future outlook</i> recognizing that it is</li> </ul>



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	<p>important for companies to disclose information about business model, strategy and performance based on opportunities and risks and available capitals both in the past-to-present period and the present-to- future period. (213)</p> <ul style="list-style-type: none"> <li>• It would be useful for the Framework to explicitly state that the requirement here is not for the provision of financial budgets or cash flow forecasts but rather future-orientated information about its ability to create value in the short, medium and long term (311)</li> <li>• The Content Element <i>Future outlook</i> could better emphasize the interconnectivity and cycle pattern of the various Content Elements, as it rightly contains elements of all preceding content elements and, in turn, forms the basis for all other matters that drive an organization (219)</li> <li>• Key emphasis of an integrated report should be on the viability of the organization and not profitability; 'viability' or 'goodwill' is of such importance to warrant being separately addressed at the end of Section 4G (227)</li> <li>• There should be a discussion of liability implications, including the need for a safe-harbour, when reporting on possible future performance (234, 247)</li> <li>• Should focus on qualitative discussions about progress towards specific goals; encourage quantitative discussions, but frame this discussion in the context of the reliability of the information and its cost/benefit in light of the costs to monitor and update the information (244); metrics and time periods selected should be left to organization's discretion (266)</li> <li>• Stress the importance of reporting actual performance against targets when quantitative forward-looking information is presented to enable readers to gain an understanding of the organization's ability to predict future outcomes (244)</li> <li>• The horizon and specificity of statements around future outlook should be allowed to vary; encourage more explicit guidance by giving examples of "best practice" as is the case today (324)</li> <li>• 4.34—Include a recommendation to also cover social and environmental issues when issuing forecasts or projections (273)</li> <li>• 4.35—Include a recommendation to produce and disclose various possible scenarios, based on the different variables involved (273)</li> <li>• 4.36—It is important to make clear that future outlook is related to other content elements and do not need to be reported in a separated section (255)</li> </ul>
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