

ANALYSIS OF FRAMEWORK

CHAPTER 1: OVERVIEW – INTERACTION WITH OTHER REPORTS AND COMMUNICATIONS

Question 2: The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

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> Framework¹, 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.

CONTENTS

- A – Overview
- B – Burden/Overlap
- C – Incorporate <IR> into existing reports; <IR> versus producing an integrated report
- D – Provide flexibility so organizations determine how to approach <IR>
- E – The integrated report as the primary (and for some only) report
- F – Clarifying how <IR> aligns to other reports and disclosures
- G – Frequency
- H – Audience

A – OVERVIEW

A1 Of the 352 responses received to the Consultation Draft (CD), 295 (83%) respondents provided an answer to this question. Of these responses approximately 75% either fully agreed with the position in the in CD (15%) or agreed with qualification (48%).

	Reporter preparers	Providers of financial capital/ analysts	Policy/Reg/ Std-setter	Assurance provider	Others	Total
FULLY AGREE WITH POSITION	15 (14%)	11 (28%)	1 (5%)	5 (22%)	20 (12%)	52 (15%)
AGREE WITH QUALIFICATION	51 (47%)	19 (49%)	8 (42%)	13 (57%)	78 (48%)	169 (48%)
DISAGREE	26 (24%)	5 (13%)	6 (32%)	3 (13%)	27 (17%)	67 (19%)
UNCLEAR POSITION	2 (2%)	0 (0%)	0 (0%)	0 (0%)	5 (3%)	7 (2%)
TOTAL PROVIDING A RESPONSE	94	35	15	21	130	295
NO ANSWER PROVIDED	15 (14%)	4 (10%)	4 (21%)	2 (9%)	32 (20%)	57 (16%)
TOTAL	109	39	19	23	162	352

¹ <http://www.theiirc.org/consultationdraft2013/>.

Question 2 – INTERACTIONS WITH OTHER REPORTS

- A2 Codifying the response to question 2 was challenging as there was a diverse range of issues and suggestions covered in the responses. Furthermore, many responses did not provide a direct affirmative or negative response so some interpretation was needed. That said, some clear themes did emerge.
- A3 Respondents who agreed with qualification, or disagreed, often sought clarification in relation to various aspects which are interrelated, including:
- How an integrated report aligns, or refers, to other reports and disclosures, particularly in relation to ensuring consistency and avoiding duplication
 - How the integrated report links to GRI (sustainability reporting) and IFRS (financial reporting), and other reporting frameworks and arrangements
 - How <IR> and the integrated report co-exist, and how much flexibility organizations have in how they approach <IR> (specifically whether to prepare an integrated report)
 - The frequency of <IR> and the integrated report
 - How an integrated report can be positioned as not adding to the burden and cost of reporting
- A4 Additionally some organizations and providers of financial capital would like to be able to apply the concepts and principles of <IR> to existing reports and disclosures rather than prepare a separate report. Several regulators and report preparers also reinforced this by suggesting that <IR> should be applied to existing regulatory reporting arrangements (for example, see responses 033, 035, 078, 158, 159, 162, 165, 181, 289, and 296).

B – <IR> VERSUS PRODUCING AN INTEGRATED REPORT / INCORPORATION INTO EXISTING REPORTS

- C1 There is confusion among respondents over how the process on integrated reporting, integrated thinking and the integrated report all fit together in the framework.
- C2 Some respondents feel that <IR> is not about preparing a separate integrated report but using <IR> concepts and principles to better embed integrated thinking into organizations.
- C3 Others (10% of respondents) feel that <IR> should be applied to reports, but that it should not result in an additional publication, “the integrated report”. Rather <IR> should be presented as an enhancement of the annual report, or a regulated report. This is particularly the case in jurisdictions where respondents do not believe that an integrated report is sufficiently different from the annual narrative report, or the management commentary, strategic business review or operating and financial reviews that is a part of the annual report or regulatory filings. This message is coming through strongly from countries such as UK, Australia, France, and Germany. Some respondents also made the argument that the advantage of this approach is that a statutory report already has a strong legal status in most jurisdictions and is typically subject to assurance, whereas a new separate document lacks a legal status.

D – PROVIDE FLEXIBILITY SO ORGANIZATIONS DETERMINE HOW TO APPROACH <IR>

- D2 Another (complementary) view was to provide flexibility to organizations on how they approach <IR> and how they apply it to their various reports and disclosures – 15 responses specifically suggested that the approach to <IR>, and whether to produce a separate integrated report, should be the decision of the organization and made in consultation with their stakeholders. The sentiment of providing flexibility to organizations also came through in many other responses. These responses suggested it should be up to the individual organization to determine which way to present the information described in the Framework, and to which reports and disclosures to apply the <IR> concepts and principles. Some felt this was particularly the case if the <IR> process should be applied continuously to all relevant reports and communications as in stated in CD, and to allow organizations to avoid duplication in reporting. As an international bank responded, there are practical barriers to adoption, “given the detailed statutory and regulatory framework which is applied to banks, and the volume of required disclosures, it will be difficult to integrate reporting in full. We therefore expect to be able to apply the principles of <IR> to part of our external reporting only” (HSBC).
- D3 The consequence as specified by some respondents is that the IIRC should remove any ambiguity about the obligation to publish a dedicated integrated report, and that the approach to <IR> should be at the discretion of the organization. Respondents in this category believe that, given the need to be principles-based and to accommodate various jurisdictional legislative arrangements and reporting practices, organizations need flexibility

Question 2 – INTERACTIONS WITH OTHER REPORTS

in terms of how they apply <IR> concepts and principles to their reporting processes and communication channels. To this end, some specific recommendations for dealing with this included suggestions to delete the words “In addition, it is anticipated that a stand-alone integrated report will be prepared annually in line with the statutory financial reporting cycle”.

E – THE INTEGRATED REPORT AS THE PRIMARY (AND FOR SOME ONLY) REPORT

- E1 23 respondents (8%) were concerned with the overlap and additional burden <IR> might cause, on option is for an integrated report to replace existing corporate reports such as the annual and sustainability reports. This would make the integrated report the “one” primary report.
- E2 The “one” report approach was strongly supported by the 4 respondents who disagreed with the consultation question. A further 19 respondents who agreed/agreed with qualification also shared the same view (although some respondents did recognize this as perhaps more of a long-term vision and ambition that the IIRC should strive for).

F – CLARIFYING HOW <IR> ALIGNS TO OTHER REPORTS AND DISCLOSURES

- F1 A general confusion arose from how the integrated report aligns to other reports and communications. 61 respondents (21%) were not clear on what role an integrated report plays in relation to existing financial, sustainability, and corporate governance reports.
- F2 Of particular concern to many respondents was that the explanation of the interaction between the integrated report and other reports and disclosures (voluntary and regulatory) is not completely clear. A strong push exists for further clarification on how in practice a stand-alone integrated report relates to the relevant existing reports on financial and non-financial information, and to deal with uncertainty as to whether an integrated report can replace all, or some, of the current reports, or serves solely as an addition.

REFER TO GRI (SUSTAINABILITY REPORTING), IASB (IFRS), AND OTHER REPORTING AND MANAGEMENT FRAMEWORKS

- F2 Respondents were confused on how an integrated report relates to other forms of reporting. The most common references to other reporting frameworks were GRI for sustainability information and IFRS for financial information. 21 respondents specifically suggesting that the Framework should explicitly refer to GRI and IASB (IFRS), particularly given that an integrated report comprises data from both the financial and sustainability reports.
- F3 There was also some concern that the importance of sustainability reporting to meet the needs of stakeholders beyond just providers of financial capital could be undermined by <IR>. Some respondents asked that the Framework clearly convey that <IR> is not intended as a replacement for sustainability reporting. In relation to the capitals, one response proposed that the Framework should include reference to appropriate generally accepted frameworks, form, content, measures and indicators for the key common activities, events or elements that are required to be disclosed under each of the capitals.
- F4 Respondents also requested clarification on measurement and use of measures and KPIs. The argument is that referencing established reporting standards setters and measurement methods that could be used by reporting organizations could help increase both the comparability and the reliability of the integrated report. One response suggested that the IIRC might play a constructive role in identifying and helping to develop indicators, standards and measurement tools produced by other bodies, as a guide for reporting entities in understanding contemporary best practice in key areas. Another respondent also suggested that the Framework should refer to management frameworks and the need for management to align and link <IR> to strategic, tactical, and operational reporting (e.g., dashboards, balance scorecards, and business intelligence portals),
- F5 The responses show a diversity of interpretations on the purpose of the integrated report. To some, the integrated report was perceived as a content index with links to other reports and disclosures, or an “executive” summary to regulatory reports and disclosures. One respondent specifically suggested that the integrated report should be a roadmap to other communication formats.

Question 2 – INTERACTIONS WITH OTHER REPORTS

G - FREQUENCY

- G1 19 (7%) responses requested clarification on the frequency of producing an integrated report, or applying the <IR> concepts and principles. On the one end of the scale, some respondents suggested it would be important to update some disclosures more frequently than annually. On the other, some felt that some organizations do not have enough capacity to produce integrated reports every year, and certainly not to continuously disclose information (due to the limitations of the existing processes and systems at many organizations).
- G2 There was also some confusion on how <IR> can be applied to other communications such as analyst calls and a call for this to be clarified or removed. Furthermore, paragraph 1.18 caused confusion where it refers to “applied continuously” as well as stating that a “stand-alone integrated report will be prepared annually in line with the statutory financial reporting cycle”.

H – BURDEN / OVERLAP

- H1 19 respondents (7%) feel that <IR> could be a burden and brings additional costs to reporting and compliance. This feeling is driven in particular by the perceived need for a separate standalone integrated report, while 55 respondents (18%) perceived integrated reporting as overlapping with other reports and disclosures.

I – AUDIENCE

- I1 Although question 2 did not specifically ask for views on the intended audience of an integrated report, a number of responses used this question to (re)state their view that the Framework should not be focused solely on providers of financial capital.