

# IIRC Working Group

## 22 October 2013



### Item 3 – The Framework

# Overview

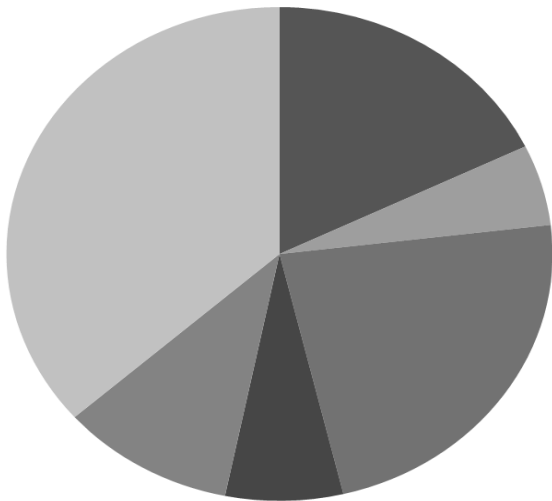
- Process to date
- Consultation Draft
- Comment letter review process
- Key issues and proposed responses

# *Process to date*

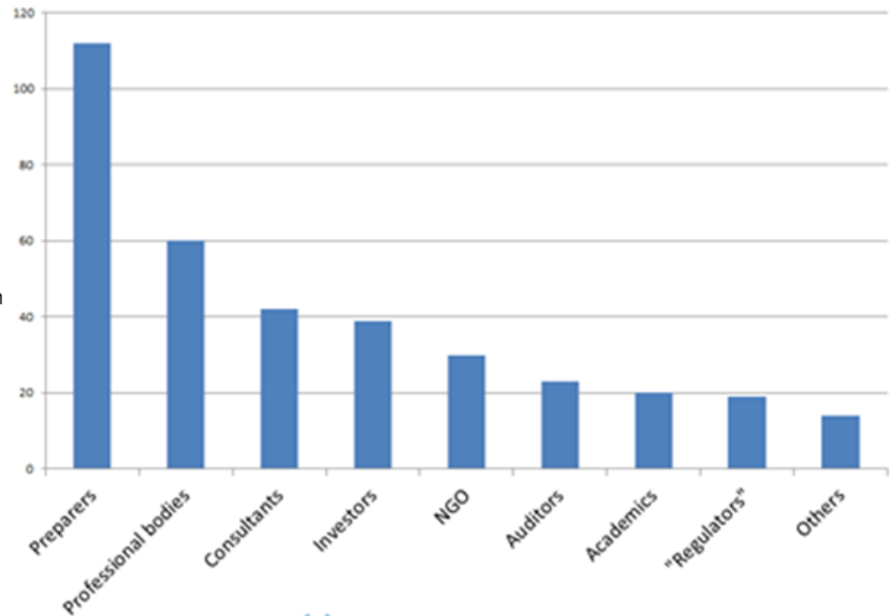
- 1<sup>st</sup> stage
  - To September 2011
  - Discussion Paper
- 2<sup>nd</sup> stage
  - To April 2013
  - Consultation Draft
- 3<sup>rd</sup> stage
  - To December 2013
  - Framework

# Consultation Draft

## ■ Global reach covering all stakeholder groups



- Global
- Africa
- Asia and Oceania
- Central and South America
- North America
- Europe





# *Comment Letter Review Process*

- Comment analysis prepared by question
- Technical Task Force
  - 4 x calls + 3-day meeting
  - Identify key issues and review iterations
  - Papers available to the Working Group
- Changes to the Framework
  - Consistent with objectives
  - Consistent with principles-based approach
  - Practical to implement
  - Improvements: clarity, connectivity, structure, duplication, and accessibility
- Basis for conclusions

# *Key Technical Issues*

- Fundamental Terminology
- Relationship with other information
- Materiality
- Value/value creation and the capitals
- Suitable criteria for preparation and assurance
- Measurement and KPIs
- Involvement of those charged with governance
- Legal liability and competitive harm
- Other issues raised prior to the meeting

# Issue 1: Fundamental Terminology

## Issue:

- Confusion between: Integrated Reporting ↔ integrated thinking ↔ integrated report

## Framework considerations:

- Context/process info → Preface
- How to use Framework, and fundamental concepts → Part 1
- Content of an integrated report → Part II
- Definition of <IR>:

*“a process, founded on integrated thinking, that results in a periodic integrated report about value creation over time, and related communications regarding aspects of value creation by an organization”*



## ***Issue 2: Relationship with other information***

### *Issues:*

- How align/refer to/avoid duplication with other reports?
- A standalone report or incorporated into existing reports?

### *Framework considerations: (Paragraphs 1.15-1.17)*

- Separately identifiable communication
- Can be:
  - Stand alone
  - Part of another report/communication
  - Satisfy compliance requirement
- More than a summary; often an entry point
- No universal diagram → pathways project

### *Subsequent feedback:*

- Not adding to the reporting burden – is it clear enough?
- Is relationship with SR (GRI) and FR (IASB) clear enough?

# Issue 3: Materiality

## *Issues:*

- Audience (places investors/financial capital above others; implies monetization)
- Terminology (alignment with other definitions; legal baggage)

## *Framework considerations:*

- Paragraphs 1.9-1.10
  - “Primary” qualifier – from audience to purpose
  - Tie direct to value creation
  - Clear that providers of financial capital consider non-financial factors
- Considered, but concluded not to, replace material with “significant”, “relevant”, “important” or “priority”

## ***Issue 4: Value/value creation and the capitals***

### *Issues:*

- What is value/value creation?
- Value for whom?
- Is quantification required?

### *Framework considerations:*

- Section 2C
- Value created by organization manifests itself in increases/decreases/transformations of the capitals and has 2 aspects:
  - Value created for itself
  - Value created for others
- Reconfirmed it need not be quantified

# *Issue 5: Suitable criteria for preparation and assurance*

## *Issues:*

- Framework suitable as criteria for preparation (and assurance)?
  - Measurement standards
  - Completeness
  - Connectivity
  - Future-oriented disclosures

## *Framework considerations:*

- New Content Element *Basis of Presentation*
  - Significant frameworks/methods
  - Requirements formerly in paragraph 4.5 of Consultation Draft

## *Issue 6: Measurement and KPIs*

### *Issues:*

- Rules for measurement
- Specific KPIs
- Impact on comparability

### *Framework considerations:*

- Reaffirm principles-based
- Emphasize need for consistent measurements
- Move characteristics of quantitative indicators to new Section 4I *General reporting guidance*

### *Subsequent feedback:*

- Is it clear enough that KPI are always necessary?
- Identify leading frameworks to encourage consistency
- Para 1.12 – reconciliation should be required

# *Issue 7: Involvement of those charged with governance*

## *Issues:*

- Require a statement from those charged with governance?
  - Slim majority agreed – accountability, reliability, and credibility
  - Others – unnecessary, and unknown legal consequences

## *Framework considerations:*

- Premature to require a statement
- Requirement to identify governance body:
  - Governance body or the highest level of management responsible for the integrated report

## *Subsequent feedback:*

- Encourage momentum towards statements being included

## ***Issue 8: Legal liability and competitive harm***

### *Issues:*

- Some disclosures → legal liability and/or competitive harm
- Future-oriented information in particular

### *Framework considerations:*

- Policy issue: legal barriers to implementation (e.g., safe harbours)
- Exclusions in paragraph 1.7
- Guidance re commercially sensitive information in paragraph 3.51
- Guidance re future-oriented information in paragraphs 3.52-3.53 and 4.40

### *Subsequent feedback:*

- Cautionary language re future oriented information

## *Other – raised prior to the meeting*

- Overall – very positive
- Preface/Chapter 1 – emphasize market-led, not mandatory
- Para 4.5 – use of links for standing data
- Para 4.22 – multiple business models
- Consider more visuals



# IIRC Working Group

## 23 October 2013



### Item 3 – The Framework (Cont)

- Ideally, TCwG should accept responsibility
- Who are TCwG?
  - Senior management?
  - Those who sign statutory reports?
  - The highest governance body?
  - Per glossary definition?
- Accept responsibility?
  - A formal statement included in report (para 4.44)?
  - Identification of the body (para 4.43)?
- If not prepared to do so?

## A requirement

- “The report should identify /include a statement from TCwG”

## Temporary relief

- “Within 3 years of publishing its first integrated report, the report should identify/include a statement from TCwG”  
or
- “The report should identify/include a statement from TCwG. If it does not, it should explain what steps are being taken to include such a statement in future and the time frame for doing so”

## Comply or explain

- “The report should include identify/include a statement from TCwG. If it does not, it should explain why”

## Explain role

- “The report should explain what role TCwG play in its preparation”

## Management plus expectation

- “The report should identify/include a statement from the highest level of management” accompanied by an **expectation** of statement from TCwG

## Management plus encouragement

- As above plus **encouragement** of statement from TCwG