

To:
IIRC
assurance@theiirc.org



From:
Flughafen München GmbH
Strategic Sustainability Management

Date: 05.12.2014

Statement on IIRC Discussion Paper – Assurance on <IR>

Q1. What priority should be placed on assurance in the context of driving credibility and trust in <IR>?

Assurance is an important tool to verify the data provided in reports by impartial entities and to raise the reliability of the report content. Investors and other stakeholders can better evaluate the quality and the correctness of the data. Besides, assurance on <IR> is helpful in order to put non-financial KPI's on the same importance level as financial KPI's.

Q2. What are the key features of assurance that will best suit the needs of users of integrated reports in years to come?

Verification of data [including non-financial data] and processes, credibility of reporting in order to increase the trust in integrated reporting.

Q3. Is the availability of suitably skilled and experienced assurance practitioners a problem in your jurisdiction, and if so what needs to be done, and by whom, to remedy the situation?

There are a lot of assurance practitioners available for financial reports which are providing more and more assurance services for non-financial data as well. There will be a need of certain guidelines in how integrated reporting is best assured.

Q4. What needs to be done, and by whom, to ensure the quality of assurance on <IR> is maintained at a high level, including practitioners' adherence to suitable educational, ethical [including independence], quality control and performance standards?

International and consistent standards, which are comparable over time



Q5. Is the robustness of internal systems a problem, and if so what needs to be done, and by whom, to remedy the situation?

Due to the long-standing tradition of annual financial reporting, the robustness of internal systems to collect financial data is already elaborate in most of the companies. However, the internal systems for non-financial information might not have the same maturity level yet. Here, assurance statements and suggestions for improvement can help to uncover error-prone process steps or elements.

Q6. Is assurance likely to be a cost effective mechanism to ensure credibility and trust over [a] the short/medium term; [b] the long term?

[a] Over the short or medium term, credibility and trust will most likely increase with assurance. An assurance statement has a signal effect. Therefore, it is a cost effective mechanism to foster the overall reporting quality.

[b] On the long run, it is important to provide assurance on the consistency and comparability of data, especially in comparison with prior reporting periods. Assurance should therefore focus on these aspects in order to be cost effective.

Q7. If so, what needs to be done, and by whom, to maximize the net benefits of assurance?

Assurance should be conducted in order to improve internal processes and to promote integrated thinking as well as sustainable development within the organization. Therefore, the assurance statement should include an improvement letter with to do's for the organization.

Q8. Should assurance standard setters develop either or both [a] a new assurance standard; [b] guidance, to ensure consistency of approach to such issues?

Given the multitude of existing reporting and auditing standards, another new standard might not have enough prominence and impact. Therefore, guidance in order to secure comparability and transparency in assurance are considered the better approach.

Q9. Should any such standard/guidance be specific to <IR>, or should it cover topics that are also relevant to other forms of reporting and assurance,



e.g., should a standard/guidance on assuring narrative information, either in an integrated report or elsewhere, be developed?

Financial reports got to be assured anyway, therefore having a second assurance possibly on the same topics might put companies off and they'll only have the basic assurance on financial data. We believe that having the whole report assured at once will result in higher benefit for companies. However we think narrative information don't need to be assured. It is more useful to focus on financial and non-financial data as well as on processes.

Q10. What are the [a] key challenges and [b] proposed approaches that assurance standard setters should consider with respect to:

- Materiality?

[a] Materiality is unique to each company; there is no right and wrong approach. Therefore, the external validation could be difficult and requires a lot of resources especially since materiality for financial data, <IR> matters and sustainability topics varies

[b] The process on how Materiality is defined as well as the resulting material aspects could be assured. The assurer needs to have in depth knowledge of the company's business model, the organizational environment etc.

- The reporting boundary?

[a] If data from the supply chain is used, it might be challenging to retrieve sufficient appropriate evidence. Besides, the criterion for drawing the boundary line might vary from company to company [e.g. influence area vs. responsibility]

[b] Assurance only within the company and for material aspect outside the company that really matter to the business model

- Connectivity?

[a] It needs to be determined what it means to demonstrate sufficient connectivity. In addition, in order to evaluate connectivity, assurers need to take a holistic viewpoint on the report instead of focusing on details within the report. Finally, given the rising number of



online reports or extended information, it is often not easy to draw the line between information that belongs to the report and information that is outside the scope of the report.

(b) In order to address the last-mentioned challenge, the assurers should clearly identify where the report ends. Moreover, a holistic viewpoint is of key importance.

- Completeness?

(a) Due to the concept of conciseness and allowed exclusions, the assurance of the completeness of the report might be difficult. Besides, there is a challenge since the completeness principle runs counter to that of conciseness.

(b) Assurers should focus on whether all material negative impacts of the business model are included in reporting.

- Narrative reporting and future-oriented information?

(a) Most disclosures and future-oriented information are based on experience data that is difficult to verify. Also, for strategic and competitive reasons, companies might not want to disclose how they have come to their assertions and forecasts.

(b) In assuring future-oriented information, assurers should stress on how the organization has come to their assertions. They need to uncover the underlying causes in order to verify the probability of the information.

Q11. What other technical issues, if any, specific to <IR> should be addressed by assurance standard setters?

Integrated reports might follow several guidelines or reporting frameworks, e.g. <IR> as well as GRI G4. Here, the additional efforts and expenditures of assurance should not be excessive. In specific cases, i.e. the materiality definition of the IIRC and the GRI, the standards might ask for a different approach. It should be taken into account by assurers that companies try to comply with both.

Q12. What are the (a) key challenges and (b) proposed approaches that assurance standard setters should consider with respect to:



- **Reasonable assurance?**

[a] Due to the more thorough testing, greater resources are needed, which results in greater costs.

[b] Often, when its costs exceed the benefits, reasonable assurance on specific matters might overdo it. Here, assurers should give honest advice to their clients.

- **Limited assurance?**

[a] Difficult to determine the adequate scope of a limited assurance. Report readers might not feel as comfortable with limited assurance.

[b] Assurers should have a clear definition on what means/includes a limited assurance, especially compared to a reasonable assurance. In the assurance statement, this should be displayed clearly and easily to understand in order to ease the reader's evaluation of the report assurance scope.

- **Hybrid engagements?**

[a] Having two different levels of assurance, might create unwanted ranking of content. The assurance process is more complex and runs against the connectivity principle of <IR>.

[b] Allows organizations to show how significant/material they consider different assured content elements and reporting principles. Therefore, it is important for them to have a clear picture of their reporting goals and in good materiality process established.

- **Agreed-upon procedures engagements?**

[a] Liability of correctness of the procedure is by the user because it's not a standardized procedure anymore. Might result in mistakes and a loss in reliability on the outcome of the assurance. Not comparable to other reports tested reasonably or limited.

[b] Good guidance and consulting by the assurer might help the organization to decide on a suitable assurance solution.



- Other approaches?

-

Q13. What are the [a] key challenges and [b] proposed approaches that should be considered, and by whom, to ensure assurance on <IR> pays due regard to other assurance processes?

[a] Harmonizing the different existing assurance procedures [financial information, sustainability information, <IR>, etc.] in order to minimize the total assurance efforts and expenditures.

[b] Changes in assurance should build upon existing [financial] assurance procedures. The implementation of new assurance procedures should run as smoothly as possible without interrupting the standard working processes of the concerned departments too much.