

To: IIRC

Form: <IR>Brazilian Commission

We collect some points of view from reporters, assurance providers and consultants regarding their experiences with framework. The content below do not aim to express a formal opinion or a consensus about those topics, but some inputs to help the IIRC improve or make a reflection.

Ø Statement by those charged with governance

Q1a. What are your observations regarding the inclusion in integrated reports of a statement by those charged with governance?

It is crucial for companies in adopting <IR> to get leadership involvement, including a real commitment in external communication. In Brazilian market, maybe this commitment may cause reactivity, so is also important to demonstrate the value in adopting the framework and take advantage on existing process.

Q1b. What, if anything, should be done and by whom to improve this aspect of implementation?

Increase the alignment between Management (responsible for Governance), investors and regulators, focusing on reducing information asymmetry through more concise and objective reports that in fact present the relevant information for each public.

Ø Multiple capitals

Q2a. What are your observations regarding reporting on the multiple capitals approach in integrated reports?

It is important to focus on the essence, companies should not feel compelled with processes. It is important for companies to understand that they should only report capital that they feel mature to report.

Q2b. What, if anything, should be done and by whom to improve this aspect of implementation?

Maybe a more concise and focused message about capitals is necessary, because interpretation is varied and some areas in organization does not understand some of them. We suggest a five minutes video that could summarize the "capitals idea" with some clarifications and examples.

Ø Connectivity and integrated thinking

Q3a. What are your observations regarding connectivity in integrated reports and the implementation of integrated thinking in organizations adopting <IR>?

We understand that because of fragmented management structures, which often reflects the fragmented market view, the systemic thinking in organizations is hard to implement.

Q3b. What, if anything, should be done and by whom to improve this aspect of implementation?

It is necessary to encourage the creation of an information governance structure that promotes dialogue and understanding between areas of the organization and different subjects to facilitate connectivity and the systemic thinking and information equalization, considering process related to compliance and its methodologies.

We also suggest an award process that selects the best cases within the framework elements. This initiative could be linked with Corporate Reporting Dialogue.

Ø Key stakeholders' legitimate needs and interests

Q4a. What are your observations regarding the identification in integrated reports of the legitimate needs and interests of key stakeholders and how they are being taken into account and responded to?

We note a certain methodological dispersion when companies identify and engage stakeholders. Companies generally focus on the financial result and look from the inside out, that is, there is a certain difficulty in addressing / reporting issues that are of greater stakeholder's interest.

Q4b. What, if anything, should be done and by whom to improve this aspect of implementation?

Framework should have suggestions of methodologies to formulate the materiality matrix, and include a new item related to engagement with stakeholders, guiding organizations to hold periodic meetings with these stakeholders in order to obtain the main needs of each one, including an evaluation about the previous report. Besides that, the Framework could suggest an evaluation metric about the company's engagement with their stakeholders, in order to present a comparability industry information.

Ø Materiality and value creation

Q5a. What are your observations regarding application of the value creation lens to materiality decisions?

It is necessary to improve the correlation of the relevant themes with the generation of value. Often the focus remains on the financial result. Other aspects are undervalued but directly affect the results of the companies and should be raised to the same level as the economic value.

Material issues that only use financial, social or environmental information, do not consider the organization's global business vision.

Q5b. What, if anything, should be done and by whom to improve this aspect of implementation?

We understand that material themes are essential information for each organization's business model. If the business model does not match some material themes, these themes should not be material. Thus, the process of defining materiality should basically consider the organization's business model, that is, how it creates value over time, in a sustainable way. We identify the need to develop instruments that can address these issues, including a sectorial approach. The IIRC should provide some guidance/examples about each stage: how to define the main public? How to choose the main KPI's and indicators? How these material themes influence the business model?

Ø Conciseness

Q6a. What are your observations regarding the conciseness of integrated reports?

There are still several demands that companies must meet (regulation, Stock Exchange Sustainability Indexes, GRI) and that restrict the conciseness information.

There is also an organizational culture of over information. Companies tend to use their reports as a marketing piece, usually inflating with not relevant information.

Q6b. What, if anything, should be done and by whom to improve this aspect of implementation?

The Framework should suggest to organizations to present the criteria used to define their relevancy. In this way, any information that is not relevant should not be presented in the report. In addition, all the information present in the integrated report should be in its simplest possible form.

Maybe a specific instrument should be developed to address these issues.

Ø Business model – outputs and outcomes

Q7a. What are your observations regarding the reporting on an organization's business model, in particular with respect to outputs and outcomes?

The organization must highlight the products, services and results that are most relevant to the value creation process.

Q7b. What, if anything, should be done and by whom to improve this aspect of implementation?

The companies should understand better their business to do better reports about business model, including regulation.

Ø Other Guiding Principles

Q8a. What are your observations regarding application of these three Guiding Principles in integrated reports?

Framework are clear about it, but companies are still confused about how implement it.

Q8b. What, if anything, should be done and by whom to improve this aspect of implementation?

We recommend to the IIRC to include another guiding principle: Timely information

Regarding implementation, good examples are still the best way to help.

Ø Other Content Elements

Q9a. What are your observations regarding how the six Content Element are reported in integrated reports?

Overall, Strategy and Resource Allocation and Perspective present a greater degree of complexity to be developed due to the degree of confidentiality of the former and the non-manageable external factors of the latter.

Q9b. What, if anything, should be done and by whom to improve this aspect of implementation?

Regarding implementation, good examples are still the best way to help.

Ø Other quality issues

Q10a. What are your observations regarding the quality of integrated reports not covered by other questions?

It is very rare an organization submit their process to assurance.

Q10b. What, if anything, should be done and by whom to improve this aspect of implementation?

The IIRC should incentive reporters to assure their information, not necessarily to publish an audited information, but to get an external and independent view.