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PAGE 2: Multiple capitals

Q7: **Q1(a) What is your experience with the multiple capitals approach in integrated reports?**

See response to Q1(b).

Q8: Q1(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Our impression is that thinking in terms of capitals contributes to the self-awareness of the reporting entity. The concept of capitals as 'stores of value' is in practice most useful insofar it helps explain the impacts on those capitals, i.e. the observed and expected changes in capitals/stores of value. We observe that it seems easier and more meaningful for the entity to relate 'how we create value' first to stakeholder groups and subsequently to impacts on various capitals per stakeholder group. The most relevant capitals are also likely to differ per stakeholder group. Such approach would help address an observation on the current use of capitals: reporting entities struggle to identify the boundaries of a capital. How far up and down the supply chain should an organisation identify effects on society as a whole? If organisations unduly use capitals as the starting point of their value creation story, the credibility of the more tangible impacts within and close to the entity can appear somewhat diluted by more remote estimated impacts higher and lower in the supply chain and to society as a whole. Eumedion remains in full support of the current purpose of the Framework: 'The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time.' This remains essential for judging the relevance of what to report on and should not be amended in a revision of the Framework. Eumedion also underlines and still strongly supports the principle-based character of the Framework.

PAGE 3: Connectivity and integrated thinking

Q9: Q2(a) What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?

See response to Q2(b)

Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

As investors, we can only find clues for integrated thinking within the organisation and connectivity is just one of many indications. The report itself can be very interconnected, but still failing to explain how the entity creates value over time, which serves also as an indicator of underlying integrated thinking.
We do observe that more and more entities include references and hyperlinks in their annual reports to enhance connectivity within the report, and to more detailed reports such as a corporate governance statement, tax principles and reporting, a sustainability report and a remuneration report outside the management report. The Framework would be enhanced if it were to require that the key messages in outside reports that are referred to still need to be mentioned in the management report.
We are in favour of organisations applying the Framework to the management commentary of the statutory annual report. Issuing a separate integrated report, as suggested by Framework paragraph 1.15 , reduces the connectivity with the financial statements, also from an audit perspective. Having both a stand-alone integrated report and a management report in the statutory annual report significantly increases the risk of duplication of information, which generally is not helpful for investors. We observe the stand-alone option is infrequently used: in The Netherlands we are aware of only two listed companies that produced an integrated report outside the statutory annual report: Aegon and ASML Holding. This may be due to the fact that these two companies have a requirement to also file a so-called form 20F in the US (because of their listing in the US). We therefore would like the Framework to express a preference for producing an integrated report within the management report of the annual report. The alternative of publishing a stand-alone integrated report should remain a valid option in the Framework.

PAGE 4: Key stakeholders' legitimate needs and interests

Q11: Q3(a) What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed?

First, we reiterate our full support of the current purpose of the Framework: 'The primary purpose of an integrated report is to explain to providers of financial capital how an organization creates value over time.' We observe that Dutch listed companies show sufficient interest in the views and needs of a wide range of stakeholders, which generally is fully line with the primary purpose of an integrated report. This multi-stakeholder approach is reflected in many integrated reports recently published by Dutch listed companies. An additional development worth mentioning is how organisations position their most important stakeholders. Companies are increasingly presenting non-governmental organisations as partners in addressing social and environmental issues. This development is an opportunity to further align the companies' business objectives with social and environmental impact.

Q12: Q3(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Reporting by companies can be improved by including concrete follow-up measures on relevant needs and interests of the important stakeholders identified.

PAGE 5: Materiality and value creation

Q13: Q4(a) What is your experience with the Framework's definition of materiality, in particular: • Application of the value creation lens? • Use of different time periods to identify material matters?

Quality of reporting on materiality differs per company. Overall, reporting entities put a lot of effort in presenting a materiality analysis, based on input from internal as well as external stakeholders. In most cases, the material issues identified, risks as well as opportunities are presented in the context of the company's value creation model and/or by using a materiality index.

Q14: Q4(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Companies present the identified material risks and opportunities to a lesser extent in different time periods. Besides the often used categorisation of low, medium and high, there should be a time horizon linked to the identified issue. In our dialogue with companies we do urge companies to look at longer term risks, beyond the next five years. This element is an explicit expectation as it is mentioned in the Framework.
Also, reporting entities should consider providing more information on follow-up measures linked to identified risks or include a reference to a section in the report where the report elaborates on the identified issues.

PAGE 6: Conciseness

Q15: Q5(a) What is your experience with the conciseness of integrated reports?

See our response to Q5(b)

Q16: Q5(b) What, if anything, should be done and by whom to improve this aspect of implementation?

In most integrated reports we observe, the entire management report is implicitly designated as an integrated report. In general, this observed approach actually meets the needs of investors quite well. Conciseness is appreciated by investors as a writing style, not as a guiding principle in limiting a more detailed understanding of an organisation's business. We consider conciseness not as a primary requirement, but something to aim for after meeting the more important requirements of relevance and completeness. If an entity chooses to explain in detail how an individual business segment creates value over time, it may not meet the criterion of conciseness, but such detailed information in the annual report does support investors in finding a reasonable basis for making long-term investment decisions.
The Framework may be altered to allow reporting entities to designate their entire management report as integrated report, if it meets the content elements identified. This meets investor needs and is in line with how most organisations apply the Framework in practice.
The wording in paragraph 3.37 in chapter 'Conciseness' may need to be adjusted as it could be interpreted that anything beyond providing 'sufficient context to understand the organization's strategy, governance, performance and prospects' is considered as 'less relevant information'.

PAGE 7: Business model – outputs and outcomes

Q17: Q6(a) What is your experience with the reporting of business model information, particularly outputs and outcomes?

See our response to Q6(b)

Q18: Q6(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Organisations adopting the <IR> Framework generally turn out to be quite able to communicate their business model. In general, outcomes are more of a challenge to identify than outputs, but that is not really a shortcoming of the Framework.
Many organisations operate in segments with quite different underlying economics and in different geographic areas. We are pleased to see many cases where individual companies provide multiple types of segmentations to effectively communicate their value creation story. For example by product, customer, geographic area, technology, input type, revenue type, and very industry specific or even company specific segmentations. The Framework could recognise the importance of discussing multiple types of segmentations to convey the value creation story.

PAGE 8: Those charged with governance / Framework identification

Q19: Q7(a) What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

The view on the integrity of the Integrated Report, as well as the opinion of those charged with governance on whether the report is presented in accordance with the Framework, sometimes falls short or is missing. We also observe reports that are 'aligned with' or 'inspired by' the Framework, whereby it is not very explicit in what aspects it is not meeting the Framework requirements.

Q20: Q7(b) What, if anything, should be done and by whom to improve these aspects of implementation?

The better the Framework can be applied to the management commentary as a whole, the more reports will be meeting all the requirements in the Framework. Our response already outlines several improvements that may help increase the adoption of the Framework by more organisations.

PAGE 9: Other Guiding Principles

Q21: Q8(a) What is your experience with the application of these remaining three Guiding Principles in integrated reports?

See our response to Q8(b).

Q22: Q8(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Our response to question 5 can be interpreted as a fear that the current Strategic focus of the Framework may result in unduly scoping out decision useful information on the operations of the company.
We would like to echo our response to question 6 as it also highlights issues related to comparability.
Our response to question 5 can be interpreted as favouring relevance and completeness over conciseness.

PAGE 10: Other Content Elements

Q23: Q9(a) What is your experience with how these remaining Content Elements are reported in integrated reports?

See our response to Q9(b)

Q24: Q9(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Few organisations pay sufficient attention to describing their competitive landscape and market positioning. Understanding the competitive landscape and market positioning is of critical importance for investors. We consider the Framework's guidance a bit too brief on this requirement and we see a need to provide further guidance that it should include the identification of competitors offering similar products, but also products from competing technologies that satisfy similar needs of customers even if it is further down the supply chain. An example may be that a producer of costly floating oil production storage and offloading ships not only competes with other producers of these oil producing ships, but also with shale oil/gas, coal and renewable energy. The common need served here is the demand for energy. The Framework provides no guidance at all on market positioning. We expect that more attention in the Framework on these topics will subsequently help improve the quality of reporting on these topics.

PAGE 11: Other quality issues

Q25: Q10(a) Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports?

Participants of Eumedion are pleased with the number of companies that publish an integrated report, and with the overall quality of integrated reports. We also see that the quality of integrated reports is improving over time. We would like to highlight the reports of Aegon, BAM Group, KPN, Philips and Randstad Holding as best practice examples in The Netherlands.

Q26: Q10(b) What, if anything, should be done and by whom to improve this aspect of implementation?

There is much debate about the corporate reporting landscape which now contains quite a large number of frameworks that may be judged as being applicable to the management report contained in the statutory annual report. There currently is a lack of coordination between the frameworks. We see a role for the IIRC to take a lead in identifying which frameworks are suitable and possibly preferable for implementing Integrated Reporting.

PAGE 12: Other enablers, incentive and barriers

Q27: Q11(a) What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to: • Specific jurisdictions? • Large or small organizations? • Private, public or non-profit sectors? • Different stages of Framework implementation?

Smaller companies tend to be slower with the implementation of the Framework, probably due to limited resources. Also, certain smaller organisations are less advanced in developing a culture of sustainability, explaining the lack of integrated thinking within these organisations.
Overall, companies choose their own path for implementation of the Framework. Some start with reporting in an integrated manner and use the reporting process as an instrument to promote integrated thinking. Other organisations wait a bit longer before producing an integrated report that reflects the shift in culture towards an integrated organisation.

Q28: Q11(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Since the Framework leaves room for organisations to choose their own pace when implementing integrated reporting and integrated thinking, there is no need for additional measures to be taken in this respect.