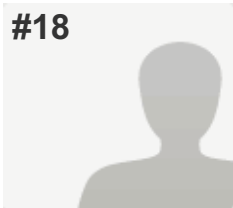


#18

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PAGE 1: Contact Details

PAGE 2: Multiple capitals

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

- Capitals we have reviewed extensively are: manufactured (especially property/ asset/ physical infrastructure in as much as they contribute to E/S indicators in reporting), human (a company's governance framework, risk management approach, ethical practices & values, leadership and social HR-related indicators) , social and relationship (we review the company's stakeholder relationships, brand and reputation as they apply to corporate citizenship, etc) and natural capital (use of air, land water as resources for operations as well as impacts made to elements of nature- e.g. emissions, waste)
- We agree that the <IR> Framework should not require organisations to report according to the way the capitals are detailed or organised (See Section 2C). Most companies who will shift to integrated reporting do not have evidence of integrated thinking in their organisation beforehand. The <IR> Framework will be useful to companies in determining areas to report on
- Capitals = New abstract concept, for which it is hard to draw boundary and apply principles in a meaningful way to give accurate disclosures.
- Complications re interpretation of what is considered material, combining qualitative/quantitative aspects etc.

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

- There was talk about reporting (or not) value creation. The <IR> Framework refers to this in the Glossary as value created for others (relationships, activities and interactions) – is the <IR> Framework going to specify how this is disclosed? Calculated?
 - Relationship of multiple capitals to scope of the report: determining them and who ‘decides’ completeness, etc. The <IR> Framework recognises that “some aspects of the capitals appear to be better addressed than others” and for HK-based companies, some are likely to be reported with ease than others. For example, we don’t think that companies would like to disclose “organizational capital” such as tacit knowledge, systems, procedures and protocols and even if they wanted to, how would they do this? ; or under social and relationship capital, how / why would they disclose “intangibles associated with the brand and reputation that an organization has developed”.
 - Could there be guidance from IIRC here? Eg IIRC could sign post new/inexperienced reporters to good practice in terms of how to devise and define capitals and what IIRC considers good disclosure
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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?**

- As with the earlier consultations on <IR> Framework we believe that as a core concept of <IR>, integrated thinking should continue to receive great prominence in the discussion the framework. While this is now placed at the forefront of the document - could this not be discussed as a principle in standard fiduciary reporting? This should be a concept/ principle made clear to CFOs/ Finance and Legal teams so that they realise that this merits an organisational integration FIRST- before reporting happens
 - <IR> may be misunderstood because it is leading with reporting, an off-putting subject, that is confused by so many disclosure frameworks and evolving requirements HKEx. <IR> is ostensibly a seismic change in strategic thinking, understanding of the value creation process and its evaluation; the report is one deliverable/output, but really it’s the preamble – new thinking, analysis etc – that is the driver, value add and bigger change.
 - DISCONNECT rather than CONNECTIVITY: In HK (and in similar markets such as Philippines/ Vietnam) – departments are in silos and a lot of the way we collect data for disclosure (e.g. across the capitals) are done by department – who owns what data – rather than it being evidenced by an integrated / enhanced decision-making across the company
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Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

- And apart from above, companies should understand Integrated Thinking as a transformation/ change management framework. It should debunk divisions and silos, and encourage flatter organisational thinking
 - IIRC may consider changing promotion of <IR> to lead with Integrated strategy to better reflect this is about much more than reporting and reporting is only one output of this change
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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?

- We agree: "it is less common for reports to clearly articulate how and to what extent the organization understands, takes into account and responds to key stakeholders legitimate needs and interests"
- Our experience with companies in HK show that sustainability teams (preparers of sustainability reports) conduct their own SE activities solely for the purpose of putting together then yearly reports. What should in fact happen is that ESG-related Qs should be embedded in existing channels of engagement (e.g. customers insight survey, sales or supplier briefings, AGMs, etc.) and collated for analysis and incorporating into strategy and plans on an ongoing basis.
- Sustainability teams are very good in collecting insights related to ESG issues- and perhaps some that feed into business issues but whether there is a systematic way of going back to the teams with oversight of these issues, we cannot ascertain.
- There is a lack of how SE findings are ploughed back into business planning/ HR/ product devt etc.
- Legitimate is a very subjective term and will be relative to a point of view. Include a definition?

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

- Integrated Thinking to be made aware across organisations
- A stronger demand from long-term investor groups for evidence of Integrated Thinking
- Perhaps a structure/ outline for reporting things like identification of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed

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?**

- Given materiality definition (real risks in the short/ medium / longterm and where a company can create value)
- Not all prominent HK-listed companies who have had a legacy of sustainability reporting actually have done a proper/ extensive materiality assessment
- Companies that do have a sense of how a materiality assessment is conducted, it is done so as a prioritisation exercise of what is important/ relevant to stakeholders and the business (classic GRI XY axes), often for purposes of reporting, rather than as a measure of value creation. For others who are more advanced in thinking, this is seen as a risk identification and mitigation exercise (rather than a measure of value creation
- Could there be a case where an item is not material for ESG reporting, given definition applied for that report eg HKEx ESG 'become sufficiently important to investors and other stakeholders', but is for <IR> or vice versa, eg given historical versus forward-looking content. This plus wider definition of boundary for <IR> could result in lack of comparability, confusion, a lot of extra work for AR, SR and <IR>.
- Very hard to apply materiality to qualitative measures.
- 'Matters may be considered material individually or in the aggregate' – how does one really apply this element?
- Hard to get a quick/easy sense of the total population of material matters covered by a <IR> – compare with SR, where there is often a matrix to clearly illustrate what's been covered as well as what's not been covered.

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

- Reorient reporters on what a true application of materiality means – as part of assessing value creation. Not as a prioritisation exercise (they do this because they think it is purely for reporting)
- HKExch/ reporting standards / Investors/ IIRC/ even consultants have a role to play in enforcing and making clear how this evolved definition of materiality should be applied

PAGE 6: Conciseness

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

- There is no experience of HK reporters on conciseness. Reporting based on GRI has always been tick as many disclosures and data sets as possible based on the 3.1/4 guidelines because doing so meant better points and ranking (GRI 3.1. A/B/C score) and were perceived as more transparent.
- Like materiality for value creation, 'conciseness' needs to be recast under IIRC's requirements and understanding which is, to "include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information".
- Companies as well think of disclosure purely as a performance scorecard . Often, reports lack meaningful presentations of strategy and governance – which is why for GRI they cannot seem to answer management approaches well.
- <IR> are seldom concise, but this could be due to the early stages of users applying the <IR> for first/second time.
- Are investors satisfied with the level of disclosures?

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

- Like materiality for value creation, 'conciseness' needs to be recast under IIRC's requirements and understanding which is, to "include sufficient context to understand the organization's strategy, governance, performance and prospects without being burdened with less relevant information"
- IIRC could sign post new/inexperienced reporters to good practice and what IIRC considers 'concise' disclosure.
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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?**

- Long-standing reporters in HK (and for most of Asia) defer to the Annual Report when addressing business model – type questions in the sustainability report (e.g. GRI EC 1).
- Outputs and outcomes are not seen as a comprehensive whole. For example, In the <IR> Framework outputs are defined as products, services, by-products and waste. Traditional sustainability reporting would feature products, services, by-products under the value chain / traditional business model and talk about its differentiation, etc but waste will be addressed in a separate section of the report, under environmental performance/ impact.
- If IIRC requires business models to address business activities beyond products and services, it will be challenging for HK companies to discuss how their organisation approaches the need to innovate – unless they have a specifically set up innovation team
- Outcomes often omitted, reports are therefore light on impact measurement and therefore the report rather misses the mark

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

- Like materiality for value creation and conciseness , a fresh understanding of what business model means – completely / as a whole- needs to be explained to organisations.
- Conglomerates , who need to demonstrate multiple business models need rethink how they present this information
- Does the <IR> Framework treat conglomerate reports separately?
- Is the IIRC pleased with how conglomerates tend to just be an amalgamation of all its subsidiaries reports and not presenting anything novel/ innovative/ future-proofed?
- HK Stock Exchange/ reporting standards / Investors/ IIRC/ even consultants have a role to play in enforcing and making clear how this evolved definition of business model should be applied

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?

- This is a question similar to that which is being asked by the Company Ordinance : Board oversight/ where is ESG in Governance framework
- Many of the governance items are already required under existing reporting / regulatory requirements
- Depends on structure of report ie if <IR> content included in AR, then this point is covered.
- <IR> often have letter from CEO or similar, so ownership is implied.
- Given the liberal interpretation of the Frameworks, a statement that a report is presented in accordance with the Framework is tantamount to meaningless.

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

Respondent skipped this question

PAGE 9: Other Guiding Principles

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

- Strategic focus and future orientation- I/ we believe HK companies are risk averse and will not want to disclose future orientation... correct in its intent, but highly subjective in application
- Reliability and completeness – definitely needing more discipline across HK reporters. If Reliability is defined as “faithful representation” – the onus rests on companies to ensure data integrity and accuracy. Often, because of the lack of robust data collection systems, this cannot be guaranteed. Reports that do not internal control, stakeholder engagement, internal audit or similar functions, or independent, external assurance – in any shape or form will also fall short of meeting this principles.
- Consistency and comparability – this is something more familiar with HK reporters, being that these are shared principles in GRI / HKExch. Still, many young reporters fail to cross-check previous year’s disclosures and what is disclosed on the present year’s report. This is due to a variety of (valid?) limitations- not having done a full materiality assessment, not having a robust data collection system, no top management endorsement to do so, etc. familiar due to being very similar to other principles for other reports, yet frustratingly different from other international frameworks eg GRI

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

- As with materiality for value creation, conciseness and business models- these principles, especially future orientation, need to be re-emphasised and defined clearly by reporting entities, required by investors, etc.
- Consider refining definitions to better align with other well accepted reporting frameworks eg GRI. This would simplify compilation of the <IR> and thereby improve uptake.

PAGE 10: Other Content Elements

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

- In general, we find that these elements are similar to those found in existing reporting frameworks/ regulatory reporting requirements . There may be some reservations from traditionally risk averse HK companies when it comes to disclosing information for Future Outlook or Basis of Preparation/ Presentation
- Suggest that Scope of report is included as a Content element, given that the boundary for <IR> is beyond the reporting entity and given the forward-looking dimension, different from the SR, per figure 3
-
- We understand that the content elements do not define the structure of an integrated report – it's more about the information that should be included. The structure of the report is not prescribed by the Framework; and we need to encourage HK reporters that they instead should focus on the question of how they create value (across all capitals). The best reports are that detail the content elements- but also speak about the business' strategic objectives, strategic themes, the capitals, value chain, etc

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

- Show examples of best practice reports and how they fulfil the content elements, without using them as a rigid report structure/ outline

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?**

- Very mixed. Have seen occasions when issuers claim an integrated report, but it's just really AR + SR bound together.
- If we can amend this question and make recommendations as to what would be useful to HK reporters wanting to shift to integrated reporting :
 - o Start with the purpose of the integrated report (for some organisations this may just be a natural progression, a differentiator, a response to investors, etc) this may include at whom the report is targeted); more importantly, where the Board of Directors' ownership lie (The board has ultimate responsibility for the integrated report and should apply its collective mind to the reporting process and the report produced)
 - o What is the organisation integrating- there's plenty of reports so what exactly is being merged? sustainability report/ corporate governance / annual financial statements ; think of formats and whether abridged financial statements be included in the report
 - o Publishing format printed vs online
 - o Think about the reporting preparation/ production and publishing timeline: year 0 and year 1 will entail a lot of reorganising data so it will be important to take account of the governance process to ensure the report is produced on time and within budget
 - o Ensure the report meets the requirements of the Framework – assurance? No IIRC check, external panel?
 - o Decide on scope of the report and materiality
 - o Decide on assurance approach
 - o Ensure the executive team and the board are seriously informed on pertinent issues on the report's preparation, production and release

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

- <IR> Framework training!
- Where IR is versus GRI Standards (deadline next year but companies are just about getting used to G4)
- Demonstrate where the demand for integrated reporting is going to come from
- Emphasise that it's more about the change in strategic thinking, rather than the report.

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?

- Where IR is versus GRI Standards (deadline next year but companies are just about getting used to G4)
- Demonstrate where the demand for integrated reporting is going to come from
- With a few exceptions, HK ESG reporters are inexperienced and unsophisticated.
- Seldom see upside of embedding sustainability strategically, so view ESG as a compliance cost rather than an (untapped) business opportunity.
- Great reluctance to disclose any more than they have to.

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

Respondent skipped this question
