International <IR> Framework revision

Focused engagement, Feb–Mar 2020

Market feedback

Topic Paper 2

Business model considerations

Contents

Introduction to the business model

Section 4C of the International <IR> Framework addresses business model disclosures in the integrated report. The following related definitions are relevant to this Topic Paper.

Business model	An organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term.
Outputs	An organization's products and services, and any by-products and waste.
Outcomes	The internal and external consequences (positive and negative) for the capitals[1] as a result of an organization's business activities and outputs.

Matters under consideration

In the years following the <IR> Framework's 2013 release, the IIRC has monitored its implementation and continued to engage with users and preparers of integrated reports. Through these avenues, the IIRC has identified four issues related to business model disclosures:

1. Confusion between outputs and outcomes
2. Limited connection between outcomes and value creation
3. Imbalanced reporting of outcomes; tendency to promote the positive
4. Perception that integrated reporting overlooks 'impacts'.

[1] Stocks of value on which all organizations depend for their success as inputs to their business model, and which are increased, decreased or transformed through the organization's business activities and outputs.

Analysis

This section explores more deeply the issues that compromise reporting on business model considerations.

Confusion between outcomes from outputs. A 2016 review of randomly-selected integrated reports, conducted internally by the IIRC, showed that many preparers confuse **outputs** (whether in the form of products or services) and **outcomes**. In fact, fewer than one-third of sampled reports disclosed the effects of the business model on the various capitals (see right). Most reports, therefore, failed to provide a clear bridge between the business model and broader value creation.

- Financial
- Manufactured
- Intellectual
- Human
- Social and relationship
- Natural

Users and preparers of integrated reports backed these findings when, in 2017, the IIRC consulted on <IR> Framework Implementation.

- We note that preparers of integrated reports frequently confuse, or fail to distinguish between outputs, outcomes and impacts.
- Inputs and outputs are clearly defined and explained. The only improvement area could be the outcomes and value creation. Outcomes and value creation may need to be analyzed and could be reported and visualized in (a) more detailed manner.
- Differentiating between outputs and outcomes can be a bit difficult for reporters. It encourages the institutions to think and analyze their business models, and the impacts of their activities.

Connection between outcomes and value creation. The omission of outcome-based disclosures sets the stage for a second issue: failure to link the business model to broader value creation. As one respondent to the IIRC's 2017 consultation observed, "Outcomes (are) often omitted; reports are therefore light on impact measurement and, therefore, the report rather misses the mark." Other respondents offered the following:

- I see little linkage between these discussions and areas such as results-based and value-based management. I also see little discussion on the value creation or depletion aspects on non-financial capitals.
- Emphasis should be made of the fact that value creation and outcomes are one and the same.
- To assess an organization's ability to create value over the medium- to long-term, an integrated report should provide information about how … business activities are designed to achieve specific outcomes.
- There is a tendency to view the business model as (an) explanation of how revenue is generated, rather than more holistically as a value creation system.

Barring an analysis of business model outcomes – including trade-offs across the capitals – report users are ill-equipped to assess an organization's net value proposition. Furthermore, the omission of negative or harmful business model results throughout the value chain, and across the broader spectrum of capitals, introduces inherent biases as discussed below.

Imbalanced reporting of outcomes. The IIRC's 2016 review of integrated reports found that disclosures were generally balanced and neutral. That said, 25% of the sample exhibited at least one of the following:

- Exclusion of negative developments or underperformance
- Amplification of positive results and dampening of negative results
- Use of promotional language to cast performance in a favourable light.

While not confined to reporting on outcomes, such biases were raised during the IIRC's 2017 consultation. In particular, when asked about outcomes-based disclosures, one respondent alluded to unsubstantiated claims, noting that, "qualitative information is good, but most companies do not report hard data." A second respondent observed, "if we take the integrated report as the chronicle of the life of an organization, this should mean that both favourable and unfavourable events (if material) are to be reported."

Emphasis on short-term business model results. During the IIRC's 2017 consultation, a small segment of market feedback referenced a strong focus on near-term results. As one respondent remarked, "the main focus seems to be on short-term outcomes, with little attention paid to medium- and long-term outcomes." According to a report preparer, a near-term transactional focus continues to drive the analysis: "When we discuss business models, we are still looking at where we earn money, how we spend it and what this yields financially. We do report on the non-financial capitals, but for us a business model is still about how we make our money."

Treatment of impacts. Some contend that integrated reporting overlooks long-term societal and environmental impacts and focuses only on 'how the outside world affects companies' (and not 'how companies affect the outside world'). The 2020 revision provides an opportunity to address this view, which is reasonably premised on:

- The <IR> Framework's use of the word 'outcomes' over 'impacts'
- A belief that 'explaining to providers of financial capital how an organization creates value' (Para 1.7 of the <IR> Framework) equates to investor primacy, to the exclusion of wider societal and environmental interests
- Observed reporting practice, which continues to favour the short term.

This paper explores the first two factors, which are within the IIRC's direct control. The <IR> Framework's use of the word 'outcomes' is colloquially synonymous with 'impacts' (as well as results, effects and consequences). But, as the following page indicates, the word 'impact' can vary in meaning.

Understanding impacts

The following collation of definitions is helpful on two fronts. First, it demonstrates considerable variation and serves as a caution against adding further to the mix. The sampling also highlights common attributes to which the IIRC's definition of outcomes can map. The right-hand column of this page features such a mapping.

Capitals Coalition. The negative or positive effect of business activity on natural capital.[2] The persistent change experienced by a person or group of people that occurs as a result of an activity. It can be positive, negative, intended or unintended.[3]

positive | environment | society | long term | negative | intended | unintended

Embankment Project for Inclusive Capitalism. The medium to long-term effects resulting from business activities, such as changes in well-being.[4]

medium term | long term

GRI. The effect an organization has on the economy, the environment and/or society, which in turn can indicate its contribution (positive or negative) to sustainable development. The term 'impact' can refer to positive, negative, actual, potential, direct, indirect, short-term, long-term, intended or unintended impacts. Impacts on the economy, environment and/or society can also be related to consequences for the organization itself. For example, an impact on the economy, environment and/or society can lead to consequences for the organization's business model, reputation, or ability to achieve its objectives.[5]

positive | negative | actual | potential | short term | long term | direct | indirect | intended | unintended | economy | environment | society

Impact Management Project. A change in positive or negative outcome (the likely or achieved short-term and medium-term effects of an intervention's outputs) for people or the planet.[6]

positive | negative | society | environment

2 www.naturalcapitalcoalition.org/natural-capital-protocol
3 www.social-human-capital.org/protocol
4 www.epic-value.com/#report
5 www.globalreporting.org/standards

Hearn and Buffardi supplement this analysis with their review of the policy and programme development space. As the authors note, "some definitions focus on very specific and precise understandings of impact, while others cast an extremely broad net."[7] Despite wide variation, key themes emerge: positive or negative effects on society and nature, often over the longer term. The following <IR> Framework paragraphs reflect these themes:

2.3 Integrated reports provide insight about how organizations interact with the external environment and the capitals to create value over the **short, medium and long term**.

2.4 The value created by an organization reflects the value created for stakeholders and **society at large**.

3.19 Material matters may have direct implications for the organization itself or may **affect the capitals owned by or available to others**.

4.19 An integrated report describes key outcomes, including internal outcomes ... and external outcomes (e.g., ... and **social and environmental effects**). It also describes **positive** outcomes (those that result in a net increase in the capitals and thereby create value) and **negative** outcomes (those that result in a net decrease in the capitals and thereby diminish value).

4.58 Time frames may vary according to the nature of outcomes (e.g., some issues affecting **natural or social and relationship capitals** can be very **long term** in nature).

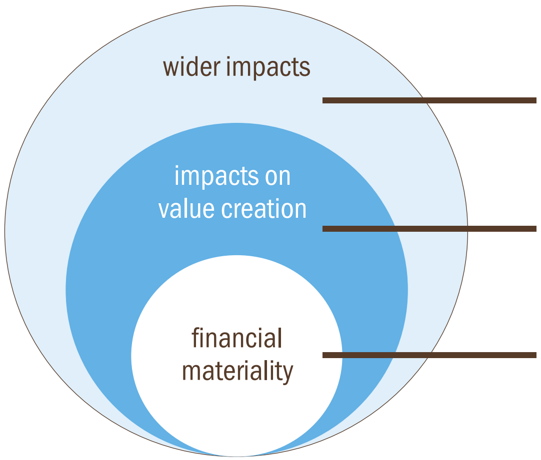
Integrated reporting tailors these themes to investors, by virtue of their power to influence. As the IIRC's 2013 Basis for Conclusions explains, through investment decisions, providers of financial capital can affect the allocation of all types of capital. Those interested in integrated reporting for its contribution to a sustainable planet see the investment lever as a vital means to this end.

6 www.impactmanagementproject.com/impact-management/what-is-impact
7 Hearn, S. and Buffardi, A.L. (2016) 'What is impact?'. A Methods Lab publication. London: Overseas Development Institute.

In addition to aligning with the characteristics of impacts found in sustainability reporting and the sustainable development space, the <IR> Framework also supports emerging proposals, such as that developed by Accountancy Europe in 2019. The paper, Interconnected standard setting for corporate reporting, does not explicitly define the term impacts, but nonetheless explores the concept's two components as follows:

- The universe of societal and environmental effects stemming from the organization's activities and outputs, whether directly or indirectly
- The subset of those impacts that materially affect (or have the potential to materially affect) the organization's continued ability to create value.

Integrated reporting prompts organizations to consider the former as a stepping-stone to disclosures on the latter. In this sense, integrated reporting and integrated thinking serve as the critical interface between traditional financial and sustainability reporting. On the basis that integrated reports marry capital market decisions with wider stakeholder interests, there may be a compelling reason to align terminology where possible.



<IR> Framework reference

Sections 2A, 2B and 2C
Paragraphs 3.15-3.16, 3.19, 4.19, 4.58

Section 2B
Paragraphs 3.34-3.35

Paragraphs 3.19-3.20, 3.33

Adapted from
Accountancy Europe (2019), *Interconnected standard setting for corporate reporting*

Addressing the matters under consideration

Certain actions may serve to reduce confusion and improve the quality of business model disclosures in integrated reports.

Reduce confusion between outputs and outcomes

- Include a simple example to distinguish between the two concepts
- Add a clear visual break between the business model's **mechanism** (i.e. its inputs, activities and outputs) and its **results** (i.e. outcomes)

Explain the link between outcomes and value creation

- Use simpler language to explain that positive and negative outcomes across the capitals determine whether value is created, preserved or eroded overall

Promote balance in the reporting of outcomes

- Address an inherent bias introduced by the <IR> Framework's repeated use of the term 'value creation'
- Reinforce the importance of providing evidence for claims and conclusions

Reinforce the inclusion of impacts in integrated reporting

- Clarify that the <IR> Framework's use of 'outcomes' includes broader effects on society and nature

Proposals and consultation questions

Proposal A. Reduce confusion between outputs and outcomes

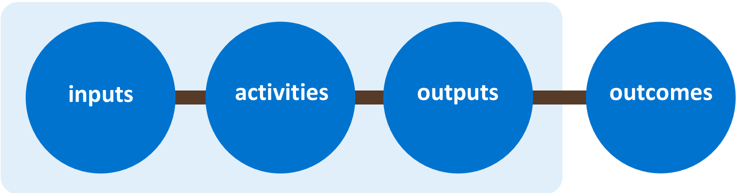
Add a simple example to distinguish between the two concepts

An illustrative example can showcase the difference between outputs and outcomes to direct and indirect stakeholders. Such outcomes can be mapped to the <IR> Framework's six capitals.

SAMPLE. The core **output** of an automobile company's business model is cars. **Outcomes** to customers include mobility and convenience (positive) and added expense and the risk of road-related accidents (negative). **Outcomes** to society include connected communities and economic prosperity (positive), as well as fossil fuel depletion, air pollution and health-related incidents (negative).

Create a visual break between the business model's mechanism and results

The <IR> Framework packages business model inputs, activities, outputs and outcomes as a single unit. In the <IR> Framework's Figure 2 (The value creation process), it may help to separate the **results** of the system of 'converting inputs through activities to outputs' from the **system** itself.



Q1 Should the <IR> Framework explore illustrative examples and visual techniques to elevate the significance of outcomes?

Proposal B. Explain the link between outcomes and value creation

Use an example to explain that positive and negative outcomes across the capitals determine whether value is created, preserved or eroded overall.

Q2 Should the <IR> Framework further explain the link between outcomes and value creation by including an illustrative example?

Proposal C. Promote balance in the reporting of outcomes

Address the inherent bias introduced by the term 'value creation'

In the <IR> Framework, Paragraph 1.6 and Figure 2 qualify that reference to value creation includes value preservation or diminution. **Section 4C** (Business model) and **Section 4F** (Performance) should remind preparers of this point.

Reinforce the importance of providing evidence for claims and conclusions

Paragraph 1.11 of the <IR> Framework notes that the ability to create value is best reported through a combination of quantitative and qualitative information. **Section 4C** (Business model) should further reinforce this point.

Q3 Should Sections 4C and 4F of the <IR> Framework further reinforce:

i. That the term 'value creation' also reflects cases in which value is preserved or eroded?

ii. The importance of providing evidence to support claims and conclusions made in the integrated report?

Proposal D. Reinforce the inclusion of impacts in integrated reporting

Clarify that the <IR> Framework's use of 'outcomes' includes broader effects on society and nature.

Q4 Should the <IR> Framework clarify its coverage of longer-term impacts on society and nature, under its existing 'outcomes' definition?

Responses to Topic Paper 2

Respondents to Topic Paper 2

Adam Williamson, AAT
Adrian Scasserra, Independent
Alan Willis, Independent
Aleksandra Stanek-Kowalczyk, SAPERE
Alexander Kurnikov, 1C
Alexandra Chistyakova, JSC ASE
Anastasia Gabrielyan, Da-Strategy
Andrej Drapal, Consensus d.o.o.
April Mackenzie, External Reporting Board
Azizah Mohd Ghani, Malaysian Institute of Accountants
Bart van Beurden, TIAS Business School
Beat Schweizer, PETRANIX
Bernd Schönhofer, Munich Airport
Bhavin Bryan Kapadia, Sustainable Derivatives
Bill Baue, r3.0
Black Sun PLC
Bob Willard, Sustainability Advantage
Bruno Gasparroni, UniCredit Group
Carlos Brandão, Independent
Carol Adams, Individual/Durham University Business School
Cédric Gélard, CNCC/CSOEC
Chee Wee Tan, DBS
Cornis Van der Lugt, University of Stellenbosch Business School
Constanza Gorleri, Banco Galicia
David Herbinet, Mazars
Dawn Baggaley, NZ Post
Deidre Henne, McMaster University
Delphine Gibassier, Independent
Derick Nkajja, Institute of Certified Public Accountants of Uganda (ICPAU)
Dilma Pimentel, Otimiza Consultoria em Gestão Empresarial
Dr. Erkin Erimez, ARGE Consulting
Dr. Fatma Öğücü Şen, Argüden Governance Academy
Edouard Gridel, Institut du Capitalisme Responsable
Elda Almeida, Independent
Fay Hoosain, Integrated Reporting Committee of South Africa
Fernando Portus, Independent
Fiona Robertson, Independent
Ginny Fahs, Independent
Giorgio Donna, Independent
Graham Terry, Independent
Guler Aras, Integrated Reporting Turkey Network (ERTA)
Herma van der Laarse, ABN AMRO
Inés García Fronti, Buenos Aires University
Innocent Sithole, Training and Advisory Services
J Robert Gibson, Hong Kong University of Science and Technology
Janine Guillot, Sustainability Accounting Standards Board
Jayantha Nagendran, Smart Media The Annual Report Company
Jean Raar, Independent
Jenny Norris, Independent
Jimmy Jia, Oxford University / Independent
Jo Cain, Materiality Counts
John Dumay, Macquarie University
Jona Basha, Accountancy Europe
Judy Ryan, Independent
Julian Costabile, SMS Latinoamerica
Jun Honda, WICI Japan
Junyoung Lee, KPC
Kavita Jadeja, EY
Le Quang TRAN VAN, Afep
Leonie Meyer, Independent
Lydia Tsen, Chartered Accountants Australia and New Zealand / CPA Australia (joint submission)
Mardi McBrien, Climate Disclosure Standards Board (CDSB)
Maria Farfan, Pontificia Universidad Javeriana
Maria Towes, Durham University
Maria Angelica Costa, Independent
Maria Eugenia Bellazzi, Sustenia
Marje Russ, Independent
Mark McElroy, Center for Sustainable Organizations
Massimo Romano, Independent
Mervyn King, Senior Counsel and former Judge of the Supreme Court of South Africa, Chair of the African Integrated Reporting Council, Chair of the Integrated Reporting Committee of South Africa, Chair Emeritus of the IIRC, Chair Emeritus of GRI - Responding in an independent capacity
Michel Washer, Solvay
Miguel Oyarbide, Australia Post
Mike Tisdall, Insight Creative
Nandita Mishra, Amity University
Nandkumar Vadakepatth, DBV GL
Nathalie Voisine, Capitalcom
Nick Landrot, Consultland
Nick Ridehalgh, Business Reporting Leaders Forum - Executive
Nick Topazio, Association of International Certified Professional Accountants
Nowmitta Jahanzaib, Institute of Cost and Management Accountants of Pakistan
Paul Hurks, NBA
Paul Thompson, European Federation of Accountants and Auditors for SMEs
Peter Paul van de Wijs, GRI
Phil Hughes, Independent
Prof Barry Cooper, Deakin Business School
Redefining Value, WBCSD
Richard Chambers, The Institute of Internal Auditors
Richard Martin, ACCA
Ron Gruijters, Eumedion
Sasol Integrated Reporting Team, Sasol
Sergey Kuzubov, Centre for Intellectual Capital, Higher School of Economics
Sergio Cravero, PwC
Shimellis Assegahegne, Independent
Simon Clow, Koan Group
Stathis Gould, International Federation of Accountants
Stefan Hanne, Kirchhoff Consult AG, Germany
Tenglum Low, Owliswise Sdn Bhd
Thomas Scheiwiller, IMPACTS
Tjeerd Krumpelman, ABN AMRO
Tokiko Fujiwara-Achren, Independent
Tokiko Yokoi, Independent
Uantchern Loh, Black Sun
Usha Ganga, HAN University of applied sciences
Veronica Poole, Deloitte
Warren Koen, Export Credit Insurance Corporation
Wesley Boone, ABN AMRO

Question 1. Should the <IR> Framework explore illustrative examples and visual techniques to elevate the significance of outcomes?

Adam Williamson, AAT, United Kingdom of Great Britain and Northern Ireland

Yes. This suggestion can only be beneficial. It is recognised that many businesses, particularly long-founded ones with traditional business models, have a long history of basing value and success upon outputs and therefore may need greater illustrative guidance to help them to adopt a shift in thinking.

Adrian Scasserra, Independent, Argentina

Yes.

Alan Willis, Independent, Canada

Yes. Visual techniques and just a few illustrative examples like those on page 6 of the Topic Paper would be helpful. To supplement all three Proposals, a general admonition to read definitions and text in the <IR> Framework carefully and thoughtfully may be needed - not all <IR> Framework users are trained to read and analyze reporting standards as carefully as those who routinely deal with IFRS or securities regulators' rules, or even the GRI Standards!

Aleksandra Stanek-Kowalczyk, SAPERE, Poland

Yes. The difference between output and outcome is hard to understand especially for the people for whom english is not native language. Examples should be easy to understand (as the one above) for everyone- based on the company/ sector that is known to everyone.

Alexander Kurnikov, 1C, Ukraine

Yes.

Alexandra Chistyakova, JSC ASE, Russian Federation

Yes.

Anastasia Gabrielyan, Da-Strategy, Russian Federation

Yes.

Andrej Drapal, Consensus d.o.o., Slovenia

No. If the output is the car, then the outcome is also money value received by selling the car. Outcomes are not only social, external. I am afraid that the Framework looses the backbone of sustainability, namely that company has to add also financial value to itself - and not only social benefits. Please not the there is a difference between vision and mission. Vision explains future values (outcomes) for the company while mission explains future values for the wider external environment. The existing model is completely ignorant about some basics about branding and business model development. please consult Andrej Drapal: Brandlife. Published on Amazon.

April Mackenzie, External Reporting Board, New Zealand

Yes. We agree that the use of illustrative examples and visual techniques could assist in clarifying the importance of outcomes.

Azizah Mohd Ghani, Malaysian Institute of Accountants (MIA), Malaysia

Yes. The distinction between outputs and outcomes is often not clearly understood by preparers of integrated reports. We welcome the use of illustrative examples and visual techniques to highlight the significance of outcomes.

A concise visualisation of the business model, in particular, the outcomes, may be useful for preparers. Readers of an integrated report would appreciate the clarity of the business model when visually presented succinctly in one or two pages.

Illustrative examples can be given for different industries and should also cover both private and public sectors. It is also useful to demonstrate how inputs are transformed by business activities (in response to the external environment) into outputs and outcomes (both positive and negative).

However, it should be clearly stated that the illustrations should not be taken as a prescriptive application of the <IR> Framework and become templates for adopters to use as they should have the flexibility to design their business model to communicate their value creation story in a concise manner.

Bart van Beurden, TIAS Business School, Netherlands

Yes. Now it's not clear

Beat Schweizer, PETRANIX, Switzerland

Yes. Examples always help in understanding theory

Bernd Schönhofer, Munich Airport, Germany

Yes. To create a better understanding, we support the idea of exploring illustrative examples.

Bhavin Bryan Kapadia, Sustainable Derivatives, United States of America

Yes.

Bill Baue, r3.0, United States of America

Yes. Why focus on outcomes (or impacts for that matter) in the first place? Because we want to achieve overarching outcomes and impacts that create value "in toto" — for the organization, and for society. In other words, the reason to focus on outcomes is to promote the *sustainable creation of System Value.*

In order to be sustainable, outcomes must not adversely impact any of the capitals beyond the thresholds of their carrying capacities. This concept is nowhere to be seen in the IIRC materials, and yet it is absolutely fundamental to the concepts you are asking us to weigh in on.   The only thing that matters about an outcome is that is sustainable. And the only way to discern sustainability is to assess whether the outcome falls within the carrying capacities of all of the capitals impacted by a business model. This is the essential definition of System Value: value that is created for the organization that also creates value for the system — or, stated in the inverse, does not destroy value beyond the carrying capacities of the capitals.   What is carrying capacity? In the age of COVID-19, think of #FlattenTheCurve. What's the threshold we need to achieve in this flattening? We need to stick within the capacity of the health care system. Within its *carrying capacity*. The number of beds, doctors, nurses, expertise, respirators, medicines, etc. that enable us to contain the spread of the virus without being overwhelmed.   So, to understand carrying capacity, simply apply this concept to all the other capitals. On climate, it's 1.5C, so all companies need to keep their own emissions within their proportionate share of the carbon budget. Within the carrying capacity of the earth's carbon cycle.   Ultimately, I believe that "outcome" is a synthesis of "impact" — in the "counterfactual" sense (Hearn and Buffardi, p 10) of that part of the outcome is attributable to the organization) and "system value" — i.e. the overall outcome. And I believe that System Value is *destroyed* when the trajectory of points toward transgression of the carrying capacities of any of the capitals, and System Value is conserved when *all* impacts (i.e. impacts attributable to all organizations operating in a system) are assimilable by the system within its carrying capacities, and System Value is created when impacts fall FULLY within the carrying capacities of the capitals, and ideally, capitals are enhanced overall, not diminished.

In terms of graphical representation, I would recommend that you leave "outcomes" where it is, on the cusp between the organization's business model and the external operating environment. What I would suggest additionally, is that the graphic add a "microscope" view that hones in on outcomes, and shows how it entails both impacts (in the "counterfactual" attribution sense) *and* System Value.

Black Sun PLC, United Kingdom of Great Britain and Northern Ireland

Yes. Clear images would help. Also, the modern world has a myriad of different terms to explain the effects companies have on the wider world, but through our interaction with preparers of reports, users of reports and wider communications, the word "impact" has become one of the most stable and consistent definitions in use. We would recommend genuine consideration of expanding the IIRC's terminology from "Outcomes" to "Outcomes and Impacts."

Bob Willard, Sustainability Advantage, Canada

Yes. I agree that an illustration would be helpful. The illustration should reinforce two points: • "Outcomes" are the same as "impacts on capitals" or "impacts on stakeholders."   • The Business Roundtable declared last summer that the new purpose pf the corporation is to maximize stakeholder wellbeing versus the Friedman-esque "maximize shareholder wealth" mantra. It's time we treated society-at-large (a.k.a. Future Generations) and the environment (a.k.a. Mother Nature) as stakeholders and clearly show them in the business model diagram.   Using something like the attached business model template would clearly show how and where the company is impacting its stakeholders (customers, investors, suppliers, employees, communities, society-at-large and the environment). It would also set up the pins for the Performance section of the <IR>, which could use a schematic of the business model as a centerpiece for a performance Dashboard (see the attachment). (Attached: Business Model and Dashboard Templates v7.pdf)

Bruno Gasparroni, UniCredit Group, Italy

Yes. As a standard setter, providing explanatory examples could help to advance the effectiveness of the communication of ESG reporting and also to align the experience of the various international realities, the most advanced and the least advanced ones.

Carlos Brandão, Independent, Brazil

Yes. Should at least provide one example for each major sector of the economy (primary, secondary, tertiary).

Carol Adams, Individual/Academic/Durham University Business School, United Kingdom of Great Britain and Northern Ireland

Yes. The adaptation of the Business Model diagram linking of outcomes with positive or negative impacts on the SDGs in Adams, CA (2017) "The Sustainable Development Goals, integrated thinking and the integrated report", published by the IIRC and ICAS was considered to by the expert advisory group to be helpful in this regard.

Cédric Gélard, CNCC/CSOEC, France

Yes. We agree with the IIRC proposal to include illustrative examples and visual techniques in the <IR>

Framework to elevate the significance of outcomes. As for the non-financial statement, one of the aims of the integrated reporting is to demonstrate the entity's performance to create value over the short, medium and long term. We recommend the IIRC to build on the requirements and the practice in terms of non-financial statement that focus on the following concept: business model, principal non-financial risks, policies and measures, outcomes, including key performance indicators. Performance is reported via outcomes, including key appropriate indicators.

Chee Wee Tan, DBS, Singapore

Yes. i. Behavioural: To encourage more disclosure of outcomes, businesses need to first design indicators in mind that are quantifiable, relevant to value and mapped to capitals.

ii. Disclosure: Agree with proposal of (i) illustrative examples and (ii) visual techniques to elevate significant of outcomes.

Cornis Van der Lugt, University of Stellenbosch Business School, South Africa

Yes. These elements come across rather as content for a User Manual accompanying the IIRC Framework, rather than part of a standard itself. But if these brief explanations improve consistent use of the Framework, the proposed examples and visuals is a good idea.

Constanza Gorleri, Banco Galicia, Argentina

Yes. We believe that it would be very illustrative for the Framework to give examples from different sectors, since from our experience in the preparation of Integrated Reports we always ask ourselves the question about outputs and outcomes.

David Herbinet, Mazars, United Kingdom of Great Britain and Northern Ireland

Yes. Preparers of integrated reports would benefit from illustrative examples and suggestions of visual techniques to better explain and present outcomes. Examples should be available for different types of sectors/industries and cover both physical and non-physical projects such as some from the financial services sector. These should emphasise that both the positive and negative outputs should be provided and in the case of no negative externalities being disclosed an explanation of why this is the case. It should also note that some outputs may be internal affecting the firm's other capitals. Please note our response to Topic Paper 1 – Q5 suggesting that all guidance and examples be made available in a separate Appendix to avoid impacting the conciseness of the Framework.

Dawn Baggaley, NZ Post, New Zealand

Yes. Examples will assist reporters to make the distinction between outputs and outcomes (impacts). It also important to emphasise how to identify outcomes (impacts), this should be from the perspective of stakeholders and the wider community. It is their view of what outcomes we have as a business not the businesses perspective. Can this latter point be included in the illustration to emphasise the external perspective?

Deidre Henne, McMaster University, Canada

Yes. Guidance is needed to better define with examples outcomes and outputs, the framework should require a "balanced" reporting of both.

Delphine Gibassier, Independent, France

Yes.

Derick Nkajja, Institute of Certified Public Accountants of Uganda (ICPAU), Uganda

Yes. This will be a very welcome addition to the IR framework.

Dilma Pimentel, Otimiza Consultoria em Gestão Empresarial, Brazil

Yes.

Dr. Erkin Erimez, ARGE Consulting, Turkey

Yes. If IR framework includes illustrative examples and visual techniques to explain outcomes reporting organization may be able to present their outcomes in more detail. Examples could be shown in the boxes which have been placed in framework document in related sections A good example is OECD's Guides). However, outcomes could occur short, medium, and long-term. It may be very costly to measure the impacts created by the organization's business model and sometimes proxies need to be used to measure the impact. The materiality of the impact needs to be the key determinant in explanation and detailing of the impact.

Dr. Fatma Öğücü Şen, Argüden Governance Academy, Turkey

Yes. The illustrative examples and visual techniques to explain outcomes reporting organization may be able to present their outcomes in more detail. Examples could be shown in the boxes which have been placed in framework document in related sections. While sharing examples, why that good example is selected can be explained. The outcomes could occur short, medium, and long-term. It may be very costly to measure the impacts created by the organization's business model and sometimes proxies need to be used to measure the impact. The materiality of the impact needs to be the key determinant in explanation and detailing of the impact.

Edouard Gridel, Institut du Capitalisme Responsable, France

Yes. Companies are more and more assessed by their outcomes rather than only by their outputs. Stakeholders and impacts (all categories) are more and more valued.

Elda Almeida, Independent, Argentina

Yes.

Fay Hoosain, Integrated Reporting Committee of South Africa, South Africa

Yes. We agree with the need for greater clarity on outputs vs outcomes, and that the significance of outcomes should be elevated as stated in the proposal. Illustrative examples can further assist in the understanding and application of what is meant by outputs and outcomes.   Further Explanation: The term outputs refers to “products, services, by-products and waste”. To enhance clarity, consideration could be given to firstly, replacing the term with what it largely refers to, namely products and services, and secondly, treating any by-products and waste as outcomes (effects on the capitals).   The IRC of SA has a technical Information Paper highlighting the distinction between outputs and outcomes: Reporting on Outcomes: An Information Paper, available on https://integratedreportingsa.org/reporting-on-outcomes/   In Figure 2 in the Framework, greater visual distinction between the business model (drawing inputs from the six capitals to create outputs) within the organization’s value creation process (which extends to the outcomes on the six capitals) may enhance understanding.   We see the Framework as being clear on the point that outcomes are broad ranging and address the positive, negative or neutral effects on the six capitals and that these occur over time (the short, medium and long term). In the integrated report, those outcomes material to the organization are disclosed.

For enhanced understanding we suggest consideration of the use of the terms, as found in The King IV Report for Corporate Governance™ for South Africa 2016 (King IV), of positive value creation, negative value creation and neutral value creation in the Framework. When providing illustrative examples emphasise that outcomes cover positive, negative and neutral effects, and that they cover the short, medium and long term. And there should be strong emphasis that transparent and balanced reporting requires the disclosure of all material outcomes.

When giving illustrative examples it needs to be explicitly stated that they are not to be seen as exhaustive or prescriptive.

Fernando Portus, Independent, Argentina

Yes. As topic paper 2 mention, companies have a different understanding when they define there bussines model and how inputs and outputs are shown in their reports. This confusion or lack of principles make that companies assume different meaning for their output, or they use tricks to show an excess of positiv in their outputs or in the worst cases to hide the negative evolution of their business model.

Fiona Robertson, Independent, United Kingdom of Great Britain and Northern Ireland

Yes. I think there is still some confusion between each so providing examples visually would help.

Ginny Fahs, Independent, Singapore

Yes. Outputs do not always encapsulate the entirety of the value that businesses create. A separate section for outcomes will allow businesses to report the results of both their activities and their outputs, giving a more complete picture of overall value created.

Giorgio Donna, Independent, Italy

Yes. The outcome identifies the need that the output (product or service) intends to respond to. Ferrari produces cars, but the need is not mobility. The outcome is fundamental to define the business definition.

Graham Terry, Independent, South Africa

Yes. There is a widespread misunderstanding of the difference between outputs and outcomes. It would be helpful to add further guidance.

Guler Aras, Integrated Reporting Turkey Network (ERTA), Turkey

Yes. Most of our members think that clarifying the difference between output and outcome is essential. Also doing it by visualization will ease understanding. CFGS mentioned that it would be also very beneficial that such outcomes can be mapped to the <IR> Framework’s six capitals. Visualization in specific sectors would be crucial in understanding how to separate the results of the business model converting inputs into outputs and their outcomes. SASB’s Sustainable Industry Classification System could be integrated to an impact-focused methodology categorizing companies under a sustainability lens. They also think that the best practices in business model could be determined by the IIRC and publishing them annually on the IIRC website will be useful for them. Beside this, one of our member suggested that outcomes/outputs should include the social and environmental impacts, which are created in medium and long term, companies in terms of promoting the companies to care of social and environmental impacts. Some of our members think that the current value creation model as a convenient tool to disclose the total value creation. In addition to this, our member KPMG think that the diagram included in Proposal A on page 6 of Topic Paper 2 does not seem to explain this clear enough. It is important that the blue background (business model) covers half of the Inputs circle and half of the Outcomes circle as this depicts that the organization uses inputs that it owns itself and others that it uses but are owned by others (e.g. water, transport infrastructure). Likewise, the outcomes are both for the entity itself as well as for others

Herma van der Laarse, ABN AMRO, Netherlands

Yes. As they are concepts to different people see differently, this would help to make things more clear and reduce discussion.

Inés García Fronti, Buenos Aires University, Argentina

Yes.

Innocent Sithole, Training and Advisory Services, Zimbabwe

Yes. We agree since most preparers of integrated report do not understand the difference between outputs and outcomes. Illustrative examples will enhance understandability of outputs and outcomes thus improve the final quality of the integrated report which will be clear and understandable to the users. This provides a better understanding of Integrating Reporting to different stakeholders as illustrative examples tries to link the theoretical aspect with the practical aspects

J Robert Gibson, Hong Kong University of Science and Technology, China

Undecided. The uptake of <IR> in 6 to 7 years since it was launched has been disappointing. The IIRC should change course and focus on a simpler 'core' <IR> requirement with optional extras. As part of this 'Outcomes' should either be dropped altogether or made an optional extra.

Jayantha Nagendran, Smart Media The Annual Report Company, Sri Lanka

Yes. TP 2.1 However, before going into examples the <IR> Framework needs to provide clearer definitions of the terms outputs, outcomes and impact. Some suggestions: (a) Outputs are the goods, services and waste produced as well as changes which are important for the achievement of outcomes; they lead to short-term measures of the value created by the organisation (for itself and for stakeholders). (b) Outcomes are the medium-term value created by the organisation as a consequence of outputs. (c) Impact is a long-term measure of value creation across the capitals linked to the purpose (vision and mission) of the organisation. TP 2.2 Corollaries: (a) The above lend meaning to the terms short, medium and long term, an aspect not explained in the <IR> Framework. (b) The term value 'creation' implies (i) an increase, decrease or preservation; (ii) over the short, medium and long term; (iii) across multiple capitals; (iv) with reciprocal effects on stakeholders (which need not be equal and opposite). We will not repeat these characteristics going forward in our responses to all three Topic Papers. TP 2.3 For the visual depiction, first consider improving the value creation process flow diagram in the <IR> Framework (Fig 2, p 13) for better alignment with what is said in the relevant paragraphs: (a) Introduce 'impact' as part of the results chain. The results chain begins with inputs (the capitals or resources) that pass through business activities to produce a cascade comprising outputs, outcomes and impact. Interestingly, a discussion on 'impact' [missing in the <IR> Framework] has been raised under Proposal D of this Topic Paper 2. (b) Improve the depiction of how value created over the short, medium and long term affect the multiple capitals. The <IR> Framework notes how the capitals undergo change ("increases, decreases or transformations") caused by the "organization's business activities and outputs" [paragraphs 2.4 and 2.11] with "constant flow between and within the capitals" [paragraph 2.12]. This means: • Paragraphs 2.4 and 2.11 of the <IR> Framework need to include outcomes and impact in addition to business activities and outputs (although they may have been implied). • Value creation does not occur or gets measured only at the outcome stage. There has to be a feedback loop from each and every component of the results chain (business activities, outputs, outcomes and impact) back to the inputs. Such a depiction gives meaning to value creation and capital formation as a dynamic continuous process, and not as a step change as in 'before' and 'after' with inputs repeated as transformed inputs or outcomes (as shown in Fig 2, p 13 of the <IR> Framework). • To measure a change ('before' and 'after') in any or all of the capitals one simply freezes the flow diagram at two chosen points in time. It is no different from preparing balance sheets at chosen points in time to analyse performance.

Jean Raar, Independent, Australia

Yes. Firms use resources (financial, natural and human) in their activities to produce business outputs. These activities and associated resources provide outcomes eg, pollution, loss of biodiversity etc. Activities drive the effective and efficient of resources. The terms 'Effective and efficient' can relate to both outputs and outcomes. As accountants we have management accounting information systems that can assist with the quantitative and monetary metrics. Other professions can assist. For example The Life

Cycle Assessment group has been testing products for environmental impacts over the life of products for decades.

The accounting profession uses ABC, albeit mainly for overhead allocation. But sound systems can manage and monitor the activities and resources that drive output and outcomes. Linking internal information , monetary and quantitative to activities and relating these to environmental, social (human trafficking) outcomes is within the jurisdiction of the accounting profession internal information system. However, it may be necessary to derive a new approach, or adapt current systems to allow the accounting profession to verify, attest and report on the internal activities and resources system. For example, an activity based system that incorporates both direct and indirect resources used within each activity - over the life of the product (or service) can highlight problem areas for management attention. Such a system will need to be adaptable for use by all types of business organisations. In this way quantitative inputs and outcomes can be recorded and an information will be integrated. However, this will require considerable joint professional effort to formulate. Such a System will need to be adaptable for use by all organisations. (The current external accounting system is adaptable to all organisations). A internal management accounting system that can be linked to the external information will enhance and expand the reputation of the accounting profession. For an oversight perspective on the conceptual links between international reporting requirements Refer Raar et al, 2020, " The challenge: Re-steering accountability concepts to incorporate biodiversity management and reporting " Sustainability Accounting,Management and , Policy Journal Vol 11 No 1 pp 1-30.

Jenny Norris, Independent, United States of America

Yes. Any resources that could be provided to give clarity would be helpful. I remember struggling with how to present the business model when we prepared our first report.

Jimmy Jia, Oxford University / Independent, United States of America

Yes. If the issue is the confusion between "outputs" and "outcomes", then the visualization should not imply a linear relationship. Rather, Outcomes result from all three attributes of the light-blue box. Perhaps the diagram should emphasize that Outcomes is a result of the light blue box, and not a linear result of Outputs?

Jo Cain, Materiality Counts, Australia

Yes. Examples are critical to bring principles-based guidance, such as the <IR> Framework to life. Confusion between outputs and outcomes can be addressed by demonstrating with specific examples, per capital, of outcomes in terms of value creation or erosion. Connectivity between these outcomes and how the reporting entity uses its business model to achieve its strategy would help. Users of the Framework may then start to "join the dots' and truly understand what is meant by "value creation story".

John Dumay, Macquarie University, Australia

Yes. Anything to make a very confusing business model less confusing is welcome

Jona Basha, Accountancy Europe, Belgium

Yes. (9) Accountancy Europe agrees with the IIRC proposal to include illustrative examples in order to better guide preparers in disclosing outcomes as well as make a distinction between outputs and outcomes.

(10) However, we are of the opinion that the sample illustrative example in page 6, proposal A of Topic Paper 2, does not fully address the guidelines provided in paragraph 4.19 of the <IR> Framework. In order to make a better distinction with outputs as well as to provide clear guidance on how to disclose outcomes, we advise that any illustrative examples specifically address internal outcomes, external outcomes, positive outcomes and negative outcomes. (11) On the other hand, in creating a visual break between inputs – activities – outputs and outcomes in Figure 2 "The value creation process" of the <IR> Framework, we advise caution on such presentation as it could impair the circularity of outcomes and the system (e.g. outcomes impact input decisions) or even raise assurance concerns.

Judy Ryan, Independent, New Zealand

Yes. Examples are useful to help people understand the difference between outputs and outcomes

Julian Costabile, SMS Latinoamerica, Argentina

Yes. It is important to clarify as much as possible this issue, as many reporters seem to still be confused on this particular. To provide examples of what is a good description of outcome (and also some examples of what is Not a clear outcome description) could be very helpful in this.

Jun Honda, WICI Japan, Japan

Yes, if such illustrative examples and visual techniques can give good clear hints to the preparers of integrate reports who are wondering as to how to present, show or explain the outcomes to the readers.

Junyoung Lee, KPC, Republic of Korea

Yes.

Kavita Jadeja, EY, India

Yes.

Le Quang TRAN VAN, Afep, France

Yes. Companies agree that "outcomes" as defined by the Framework is a difficult concept to cope with and report on. Providing further guidance could help preparers in describing the outcomes if this guidance is based on meaningful examples, eg. on best practices identified in integrated reports published by companies. The sample provided in Topic Paper 2 regarding outputs and outcomes of an automobile company is considered way too simplistic and short to be helpful. Describing positive and negative outcomes in terms of net increase or decrease in the capitals is one of the most difficult exercises in relating with integrated reporting and requires advanced guidance and examples.

Leonie Meyer, Independent, South Africa

No. Not the <IR> Framework itself but the Background Paper on Business Models. It is not the companies with actual widgets that struggle with this concept but mostly companies with intangible services as outputs.

Lydia Tsen, Chartered Accountants Australia and New Zealand / CPA Australia (joint submission), International

Yes, we consider this would be helpful, particularly given the identified challenges that some report preparers face in differentiating between outputs and outcomes. By using illustrative examples and visual techniques to elevate the significant of outcomes, the IIRC can helpfully draw a clear distinction between outputs and outcomes, while also highlighting the type of information that users are likely to be most interested in with respect to outcomes.

Mardi McBrien, Climate Disclosure Standards Board (CDSB), United Kingdom of Great Britain and Northern Ireland

Yes, illustrative examples of what good practice looks like are appreciated by report preparers.

Maria Farfan, Pontificia Universidad Javeriana, Colombia

Yes. A picture, graphic or conceptual map usually explain better than a text. It has to be clear that the term outcome refers to the possitive or negative consecuenses in each relevant capital for the organization, different than ouput that is what the company produce directly and indirectly.

Maria Towes, Durham University, United Kingdom of Great Britain and Northern Ireland

Yes. This will be advantageous to organisations as well as providing a more accurate assessment of the organisation within the report

Maria Angelica Costa, Independent, Brazil

Yes. Is very important to show examples of internal outcomes, not only external. Outcomes over the capital used , as the human capital, when companies pratices are not good for the teamwork, for example!

Maria Eugenia Bellazzi, Sustenia, Argentina

Yes. We believe that it would be very illustrative for the Framework to give examples from different sectors, since from our experience in the preparation of Integrated Reports we always ask ourselves the question about outputs and outcomes.

Marje Russ, Independent, New Zealand

Yes. It is important to build a strong link between the concepts of outcomes and impacts. The outcomes are the impacts (positive and negative) on elements/aspects of the six capitals. Impacts can be usefully further characterised by their nature and scale (e.g. short or long-term, reversible or irreversible, pervasive or restricted/contained, creating or triggering a tipping point etc.). Examples that provide this more detailed concept of outcomes and impacts, including identifying some of the aspects or elements of capitals impacted, would be useful. It would be useful to visually separate inputs, activities and outputs; from outcomes as in the diagram from the consultation document. However, it would be more helpful if the diagram went beyond a simple outcomes bubble to show that this comprises a range of impacts on the six capitals

Mark McElroy, Center for Sustainable Organizations, United States of America

Yes, but you should build on your existing commitment to the capital-based model by explaining that outputs affect the quality or sufficiency of them (the capitals) insofar as they are needed in order to fulfill the basic needs of stakeholders. Stakeholder well-being is affected accordingly. Outputs affect the quality or sufficiency of vital capitals, which in turn affect the well-being of those who depend on them (stakeholders). It is impacts on stakeholder well-being, or variable levels of well-being, that are the outcomes of interest. Note here that only impacts on capitals (i.e., as a consequence of outputs) can be measured and reported. Impacts on stakeholder well-being (outcomes) is presumptive and is based on causal theories, such as in order to be healthy people require roughly 2000 calories per day. Thus, if we can ensure availability of 2000 calories per day, we can assume a level of well-being without having to actually go measure it.

Massimo Romano, Independent, Italy

Absolutely yes, illustrative examples from different sectors (also insurance sector, that differs from banking services) are welcome.

Mervyn King, Senior Counsel and former Judge of the Supreme Court of South Africa, Chair of the African Integrated Reporting Council, Chair of the Integrated Reporting Committee of South Africa, Chair Emeritus of the IIRC, Chair Emeritus of GRI - Responding in an independent capacity, South Africa

Yes. There can be no harm in having illustrative examples and visual techniques to elevate the significance of the outcomes of a value creation process.

Michel Washer, Solvay, Belgium

Yes.

Miguel Oyarbide, Australia Post, Australia

Yes. Also provide practical example of either made-up companies in particular sectors (similar to what TCFD's implementation guide does) or actual case studies.

Mike Tisdall, Insight Creative, New Zealand

Yes. The Outcomes are the most important point of the value creation/depletion model. If preparers better understand how they can better communicate Outcomes, the reporting becomes significantly more effective.

Nandita Mishra, Amity University, India

Yes. In a independent study conducted by me on Indian companies who are following , I have noticed that few companies have very clearly differentiated between outcome and output, but still few companies are confused and do not get the real essence of the two. I think giving an illustration and explaining will help and can be added in the framework

Nandkumar Vadakepatth, DBV GL, India

Yes. I fully agree - normally outputs are very tangible and easy to report; when it comes to outcome especially negative outcome it is good to provide examples from various sectors.

Nathalie Voisine, Capitalcom, France

Yes. Such examples could help companies in the preparation of the report. Also, we believe it could be relevant to further investigate how companies could present in a more relevant - and more specific - way their activities, the value creation process (and not only outputs and outcomes) and the related mechanisms. From our studies, it appears that an increasing number of companies are presenting a significant numbers of indicators, often mixing outcomes vs. outputs with little added value for the reader. Our recommandation would be to offer an overview of the group at a given time (N) through the presentation of its business model, and trends of indicators, keeping in mind the following: - focus on the most material KPIs - use trends to reflect the dynamics (continuous improvement of positive / negative impacts, value created) - when relevant, KPIs linked to the strategic objectives to illustrate their implementation. In our opinion, it should not be a scorecard with detailed figures (to be provided in the performance section) but a global trend demonstrating how the BM has evolved over a certain period, how process improved (eg. digitalization). As such, it can also enrich the connectivity of content elements through the report: - short term: BM and KPIs (trends) illustrating its past/ongoing transformation and improved management of impacts or added value created - mid-term strategy and long-term purpose: objectives in terms of value creation (value proposition per category of stakeholder) - performance & scorecard: demonstration of progress against objectives and targets (annual, with elements of context). Last but not least, we believe that it's also important to better reflect the interrelatedness and interactions between the different capitals and global / transversal value created. As such, we do not believe that using the capitals to present the outcomes is the most relevant option.

Nick Landrot, Consultland, France

Yes.

Nick Ridehalgh, Business Reporting Leaders Forum - Executive, Australia

Yes. The inclusion of brief illustrative examples would help to elevate the significance of specific outcomes as separate from the system itself, and help to draw out the explicit connection with value creation. We do not agree that any elements of the ‘Octopus Diagram’ should be changed. We believe that the diagram included in Proposal A on page 6 of Topic Paper 2 is incorrect. It is important that the blue background (business model) covers half of the Inputs circle and half of the Outcomes circle as this depicts that the organisation uses inputs that it owns itself and others that it uses but are owned by others (e.g. water, transport infrastructure). Likewise the outcomes are both for the entity itself as well as for others. The adoption of the visual technique presented in Proposal A would remove these important distinctions.

Nick Topazio, Association of International Certified Professional Accountants, United Kingdom of Great Britain and Northern Ireland

Yes. This seems a logical response to the findings from the IIRC's review of Integrated Reports which highlighted a lack of understanding of the difference between outputs and outcomes.

Nowmitta Jahanzaib, Institute of Cost and management Accountants of Pakistan, Pakistan

Yes. For instance we are an Institute catering for Accountancy education .Its IR framework must give the effects of visual techniques to highlight the significance of the outcome.Ofcourse ,outcomes are desirable thats why we highlight on the positivity of our project like if our students acquire education from ICMA Pakistan , they will seek quality education coupled with highly groomed personalities with a zeal for community work apart from adding value to the organization they will be serving .Not only that they will be earning a good name for their country and representing this country in the rest of the world .

Paul Hurks, NBA, Netherlands

Undecided. 8. NBA supports the IIRC proposal for further guidance on outputs and outcomes. This might also be useful for inputs and activities, emphasizing the circular concept of the value creation model. Reference to sources for 'loading the capitals' with existing relevant metrics/frameworks at industry level are welcomed as much as guidance how to appropriately balance metrics and narratives in the reporting process (input-output-outcome-impact). 9. Primary objective should be clear guidance on the concept. It should be possible that the concept is well understood without illustrative examples. If that is achieved further illustrative examples are welcome.

Paul Thompson, European Federation of Accountants and Auditors for SMEs, International

Yes. This improves clarity of the Framework. While the example is a good one by "automobile company" do we take this to include rental companies and the likes of Uber? If not maybe we say "automobile manufacturer".

Phil Hughes, Independent, Australia

Yes.

Prof Barry Cooper, Deakin Business School, Australia

Yes, the inclusion of some brief illustrative examples would help to elevate the significance of outcomes as separate from the system itself, and help to draw out the explicit connection with value creation. No. We do not agree that any elements of the 'Octopus Diagram', such as creating a visual break between the business model's mechanism and results (Proposal A) should be changed. In that connection, we believe that the diagram included in Proposal A on page 6 of Topic Paper 2 is incorrect. It is important that the blue background (business model – inside the business) covers half of the Inputs circle and half of the Outcomes circle as this depicts that the organisation uses inputs that it owns itself and others that it 'borrows' from society (e.g. fresh air, roads). Likewise the outcomes are for the entity itself as well as for others (outside the entity's direct jurisdiction). The adoption of the visual technique presented in Proposal A would remove these important distinctions.

Redefining Value, World Business Council for Sustainable Development, Switzerland

Yes. To the extent that the examples are fit for purpose and add value.

Richard Chambers, The Institute of Internal Auditors, United States of America

Yes. With an expectation to report on outcomes, it would be helpful to clarify what is meant, although the IIRC may wish to keep the Framework document succinct and have case studies and other application materials available separately. However, serious consideration should be given to this expectation. While it is important to the idea of integrated reporting, it should be noted that measuring outcomes is potentially very complex. It is difficult enough to do so for financial capital and much more so for non-financial capitals. In financial reporting, it is not at all common to try to report outcomes (or impacts). Without sufficient clarity on how it can be achieved, it is a significant difficulty for implementation of the Framework.

Richard Martin, ACCA, International

Yes, it will aid understanding of the terms but should only be included within implementation guidance. Sections 4.18 to 4.20 already provide simple illustrations.

Ron Gruijters, Eumedion, Netherlands

Undecided. Eumedion believes that organisations that adopt the 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. This is in line with the conclusions of a recent report by the Dutch Authority for the Financial Markets (see 'In Balance 2019 – Survey of value creation and followup to the Non-Financial Information (Disclosure) Decree'). But that is not really a shortcoming of the Framework itself. Eumedion understands that further explanations, illustrative examples and visual techniques can help organisations in identifying outputs and outcomes, as well as understanding the link with value creation.

Sasol Integrated Reporting Team, Sasol, South Africa

Yes. Infographic will help better explanation and understanding.

Sergey Kuzubov, Centre for Intellectual Capital, Higher School of Economics, Russian Federation

Yes.

Sergio Cravero, PwC, Argentina

Yes.

Shimellis Assegahegne, Independent, Ethiopia

Yes.

Simon Clow, Koan Group, Netherlands

Yes – inclusion of examples would: a) Underline the importance of outcomes b) Help reporters distinguish between outputs and outcomes (This seems to be a common source of confusion at present). That said, the IIRC will have to ensure the examples chosen are sufficiently representative (i.e. that reporters can apply them to their respective sectors /industries).

Visual break (making a distinction between outputs and outcomes) has already been adopted 'voluntarily' by some reporters. Outcomes are more difficult to report on (usually because of a lack of available data) – so would also mention the possibility of qualitative reporting under outcomes (and perhaps with some examples). Would also suggest changing language used to avoid confusion /'positive bias' (maybe 'value creation or depletion' and impact rather than outcome).

Stathis Gould, International Federation of Accountants (IFAC), International

Yes.

Stefan Hanne, Kirchhoff Consult AG, Germany

Yes.

Tenglum Low, Owliswise Sdn Bhd, Malaysia

Yes.

Thomas Scheiwiller, IMPACTS, Switzerland

Yes.

Tjeerd Krumpelman, ABN AMRO, Netherlands

Yes. also extend this to impacts. It could perhaps also be adressed through best practices database or training.

Tokiko Fujiwara-Achren, Independent, Finland

Yes. Visual techniques/thinking is a very useful and helpful to understand abstract terminology.

Tokiko Yokoi, Independent, Japan

Yes. I suppose that outcomes mean the social value of its existence and should be expressed how much a company can contribute to solve social issues through each business model. For example, it would be better to provide an unified simple format related to SDGs' 17 goals.

Uantchern Loh, Black Sun, Singapore

Yes.

Usha Ganga, HAN University of applied sciences, Netherlands

Yes. It will help preparers understand how the long term value creation model can be improved. I also believe that the <IR> Framework would improve if it is mentioned or demonstrated that totally different business models within one company would benefit in clarity if they are split into separate value creation models, as trying to place everything into one model also makes all value creation models in reports extremely boilerplate.

Veronica Poole, Deloitte, United Kingdom of Great Britain and Northern Ireland

Yes. We believe there is merit in exploring visual techniques for use in the <IR> Framework to help practitioners understand what is meant by 'outcomes'. However, we would caution against developing diagrams that could encourage their use as 'boiler plate' disclosures. There has been market confusion as to the difference between outputs and outcomes since the <IR> Framework was launched and clarification is needed (as evidenced by a paper produced in 2015 by the Integrated Reporting Committee of South Africa, for example). Our recommendations are therefore as follows.

- We do not believe we should create any new categories in addition to inputs, outputs and outcomes – companies already struggle to define and report on these. We suggest the IIRC consider a visual technique to differentiate business model process (leading to outputs) and impact (renaming outcomes) – accepting that impacts and outcomes are essentially the same idea (and in countries where English is not the first language, are likely to be hard to differentiate as terms). As the paper notes, impacts/outcomes can be positive and negative and companies should give a balanced assessment across all capitals.

  While appreciating that 'outcomes' and 'impacts' are very similar by definition, there are specific contexts for impact which should be considered by the IIRC in its revisions. Impact management or investing, for example, specifically relates to decisions or investments made with the intention of contributing to measurable positive social and environmental benefits, alongside financial returns.

The term ‘impact’ is also being increasingly used by companies that are articulating more clearly their purpose and the positive social and environmental impacts that they aim to achieve through that purpose. As a result, impact measurement and reporting have increased in importance since the <IR> Framework was issued in 2013. This context should be referenced and captured in the <IR> Framework, in our view (and we note that much of this is already reflected in paragraphs 4.19-4.20). Renaming outcomes as impacts will respond to the evolution of business purpose and will also help to clarify alignment to the market.

- While examples can be helpful, we note that outputs and outcomes/impacts might vary according to the established purpose and business model of each individual company. While it can be expected that there are outputs and outcomes/impacts that are common within a sector, we would still expect there to be differences according to the value creation story of the company, the specific nature of its business model and the desired impacts.

Wesley Boone, ABN AMRO, Netherlands

Yes. This would be a helpfull addition onto the chapter 'business model' and the glossary. However, given the fact that not only production companies are using the <IR> Framework for their reporting, but also service companies (e.g. banks), I would request to also add in an example or examples for these type of companies (as it will be less tangible than for production companies).

Question 2. Should the <IR> Framework further explain the link between outcomes and value creation by including an illustrative example?

Adam Williamson, AAT, United Kingdom of Great Britain and Northern Ireland

Yes. As per response to Q1, all illustrative examples can only be helpful in improving consistency.

Adrian Scasserra, Independent, Argentina

Yes.

Alan Willis, Independent, Canada

Yes. The existing text is should be clear enough to careful readers, but an illustrative example would be helpful.

Aleksandra Stanek-Kowalczyk, SAPERE, Poland

Yes. My experience is that if people see the whole value chain (from input to impact) on an example, they are able to understand it as a whole and see the relations and differences between each chain. But example should be easy-based on the company/ sector that is in everyones' everyday life so the reader can understand that

Alexander Kurnikov, 1C, Ukraine

Yes.

Alexandra Chistyakova, JSC ASE, Russian Federation

Yes.

Anastasia Gabrielyan, Da-Strategy, Russian Federation

Yes.

Andrej Drapal, Consensus d.o.o., Slovenia

Yes. For that reason I have already upgraded the basic framework with adding a brand into the core of the visual. I have also included some elements from sustainable business development framework/model.

There is much more to be added into the master picture of IR do get intuitive picture of how the value adds and what important processes are involved in value creation. This is important because all this should be consistently reported.

April Mackenzie, External Reporting Board, New Zealand

Yes. We agree that the use of an illustrative example should assist in explaining the link between outcomes and value creation.

Azizah Mohd Ghani, Malaysian Institute of Accountants (MIA), Malaysia

Yes. The link between outcomes and value creation can be further explained by including illustrative example on outcomes and their impact on the six capitals.

Examples of outcomes for different industries (both from public and private sectors) would be useful to demonstrate how they create value and achieve the strategic objectives or negatively impact value or erode the achievement of the strategic objectives in the short, medium and long term.

Bart van Beurden, TIAS Business School, Netherlands

Yes. It is value driven and also take a look at shared values

Beat Schweizer, PETRANIX, Switzerland

Yes. Examples always help understanding theory.

Bernd Schönhofer, Munich Airport, Germany

Yes. The IR Framework could explain the link between outcomes and value creation by including an illustrative example.

Bhavin Bryan Kapadia, Sustainable Derivatives, United States of America

Yes.

Bill Baue, r3.0, United States of America

Yes. As explained in my previous answer, it's not just the relationship between outcomes and value creation, but between outcomes and System Value creation. And System Value can only be created when the outcomes of a business model maintain capital stocks and flows within the thresholds of their carrying capacities.

Black Sun PLC, United Kingdom of Great Britain and Northern Ireland

Yes. This would be a useful tool for new reporters and a point of guidance for more experienced reporters who are confusing or merging terms such as “Output” or “Outcomes”, or polarising their disclosure towards more positive information. Note that examples would need to be broad and easily understood by a wide range of organisations in different industries.

Bob Willard, Sustainability Advantage, Canada

Yes. The attached templates illustrate the links between impacts on stakeholders and value creation. (Attached: Business Model and Dashboard Templates v7.pdf)

Bruno Gasparroni, UniCredit Group, Italy

Yes. See Q1

Carlos Brandão, Independent, Brazil

Yes. The primary focus of value creation should be the intrinsic (inherent) economic value of the company. When using the DCF (Discounted Cash Flow) method, intangible assets can be factored into the forecasted revenues, costs, capital invested and cost of capital, becoming more tangible in financial terms, which makes it easier to explain the link between outcomes and value creation. The use of financial language will make it easier for executives, board members and shareholders to communicate with each other. Other stakeholders can benefit from it too.

Carol Adams, Individual/Academic/Durham University Business School, United Kingdom of Great Britain and Northern Ireland

Yes, but I suggest this is done in guidance notes rather than the Framework itself. The SDGs have been agreed since the release of the <IR> Framework and I suggest that such guidance also explain how positive and negative outcomes for the capitals impact on contribution to the SDGS making reference to Adams, C A (2017) The Sustainable Development Goals, integrated thinking and the integrated report, IIRC and ICAS. ISBN 978-1-909883-41-3.

Cédric Gélard, CNCC/CSOEC, France

Yes. The CNCC and the CSOEC agreed that the <IR> Framework should further explain the link between outcomes and value creating by including illustrative examples.

Chee Wee Tan, DBS, Singapore

Yes. i. Behavioural: An organisation would need to have the project objective in mind, good knowledge of the business processes and extensively engaged its stakeholders. The relevant project would then generate designed results, creating the right value. ii. Disclosure: Agree with proposal of using illustrative example and use of use simpler language to explain the link between outcomes and value creation. It would be helpful if IIRC provides a library of such potential linkages. This would help in integrated thinking as well.

Cornis Van der Lugt, University of Stellenbosch Business School, South Africa

Yes. In as far as this advances greater clarity, consistency and quality of reporting in use of the IR Framework, the further explanation is a good idea. Furthermore, what is not raised here, is the possibility of providing more guidance on the content elements of a business model. Much of the critique of the business model description relates to the fact that it suggests that this is simply about inputs, activities and outputs. Much better would be to remind reporters / users that the "value proposition" of the business is at the heart of the business model.

Value proposition is about much more than stating how revenue is generated. Value proposition states a solution offered by the enterprise, something that is of value to clients / consumers / society, and something the enterprise beliefs it can deliver better than others. This highlight of the value proposition can be linked with the broader discussion on value creation / destruction for society and planet. Finally, a Framework User Manual can also clarify further elements of the business model for improved understanding.

Constanza Gorleri, Banco Galicia, Argentina

Yes. We believe that the <IR> Framework should better explain the link between results and value creation, incorporating best practice examples.

David Herbinet, Mazars, United Kingdom of Great Britain and Northern Ireland

Yes, indeed this would be useful, subject to all guidance and examples being made available separately to the Framework. It would be helpful to not only illustrate that value creation is “net” i.e. a combination of positive and negative outcomes, but also to stress that when value is created it is the result of an aggregation of value created internally and externally by the organisation. Furthermore, the examples should contemplate value creation both in monetary and non-monetary terms. Each of the capitals employed in the business model of an organisation generates outcomes and value could be either created, preserved or diminished in other capitals as a result of the firm's activities. Furthermore, guidance should be provided to explain that the definition of value creation should be based both on what is material to the organisation as a while and for its stakeholders. For this effective engagement with the key stakeholder groups should be established to help understand their priorities.

Dawn Baggaley, NZ Post, New Zealand

Yes. As for question 1.

Deidre Henne, McMaster University, Canada

Yes. Examples will be useful, particularly if these can be provided for major industries. Such as, Automotive/ transportation, Oil & Gas, Exploration, Consumer goods production, etc.. The examples should be illustrative linking identification to risk and opportunity assessments and impact/scenario analysis.

Delphine Gibassier, Independent, France

Yes.

Derick Nkajja, Institute of Certified Public Accountants of Uganda (ICPAU), Uganda

Yes. This will be a very welcome addition to the IR framework. The illustrative should ably demonstrate instances when value is deemed to have been created, preserved or eroded.

Dilma Pimentel, Otimiza Consultoria em Gestão Empresarial, Brazil

Yes.

Dr. Erkin Erimez, ARGE Consulting, Turkey

Yes. Showing the link between outcomes and value creation could be very useful especially for newcomers. The example needs to be simple to be understood by all and needs to be supported by visual material.

Dr. Fatma Öğücü Şen, Argüden Governance Academy, Turkey

Yes. The difference between output, outcome, and value creation is the most questioned part in the reporting. Explaining the linkage between outcomes and value creation could be very useful. The simplification and visualization while showing examples need to be considered.

Edouard Gridel, Institut du Capitalisme Responsable, France

Yes. Such exploration may help in the future to distinguish between strong and weak effective value creation

Elda Almeida, Independent, Argentina

Yes.

Fay Hoosain, Integrated Reporting Committee of South Africa, South Africa

Yes. We agree that further explanation is needed to highlight outcomes and value creation. Illustrative examples can be used to advantage in this instance: they can show how the organization's value creation process results in positive, negative or neutral effects on the six capitals.

As stated in our response to Q1 above, for enhanced understanding we suggest consideration of the use of the terms, as found in King IV, of positive value creation, negative value creation and neutral value creation in the Framework. As stated in our response to Q1 above, when providing illustrative examples emphasise that outcomes cover positive, negative and neutral effects, and that they cover the short, medium and long term. And there should be strong emphasis that transparent and balanced reporting requires the disclosure of all material outcomes.

Fernando Portus, Independent, Argentina

Yes. A practical guidance like IFRS use will help to build and control this linked topics.

Fiona Robertson, Independent, United Kingdom of Great Britain and Northern Ireland

Yes. From the practitioners I have interviewed and research I has read, there is still confusion regarding elements of the framework so provision of examples can only be helpful.

Ginny Fahs, Independent, Singapore

Yes. Examples always help make regulatory guidance more tangible. That said, an example will not help counteract reporting imbalances, in which positive results are amplified and negative ones under-reported. To get a true grasp on negative externalities of a business, a peer-review or third party review structure will be required.

Graham Terry, Independent, South Africa

Yes.

Guler Aras, Integrated Reporting Turkey Network (ERTA), Turkey

Yes. Our members think that the <IR> Framework needs to make the link between outcomes and value creation for the entity and for others more explicit. Survey results also state that the most important difficulties that may be encountered by all companies are how to measure the inputs of nonfinancial capital and the determination of the probability of occurrence of risks. One of our members added that illustrations, sector based if possible (or at least mainly as manufacturing, finance, etc.), would enrich the framework and prove quite beneficial for report preparers. In addition, there can be some examples that shows where impacts occur along the value creation process and examples about positive or negative consequences. In addition to these opinions, one of our members believe that the link between outcomes and value creation relates more the strategy and it could be explained within the relevant strategy chapter. Additionally, they think that this proposal presents the challenge of describing clear, quantifiable data and raises questions marks regarding how it would be possible to maintain the intra-capital balance and to explain how value is created, preserved or eroded overall. They think that there should be additional explanations as how this would work in actual reporting.

Herma van der Laarse, ABN AMRO, Netherlands

Undecided. There are many other guidelines that already explain this, although not always in relation to the <IR> principles.

Inés García Fronti, Buenos Aires University, Argentina

Yes.

Innocent Sithole, Training and Advisory Services, Zimbabwe

Yes. We are strongly in favour of the proposed change because illustrative examples form effective knowledge transfer methodology, since they aid stakeholders' understanding of the link between the two and will lead to seamless implementation and application. However, we appreciate if illustrative examples do not constitute one-size fits all scenario but should leave room for other unforeseeable scenarios. In short, we yearn for flexibility too as opposed to rigidity. As there was confusion between outcomes and value creation, illustrative example will demystify the confusion and lead to a better understanding of the two and thus making the information useful for decision making purposes.

J Robert Gibson, Hong Kong University of Science and Technology, China

Undecided. See answer to Proposal A

Jayantha Nagendran, Smart Media The Annual Report Company, Sri Lanka

Yes. TP 2.4 But the question is flawed. Value is not created only at the outcomes stage. In fact, the <IR> Framework [paragraphs 2.4 and 2.11] only mentions business activities and outputs. Inconsistency prevails. Value is created (as reflected in the multiple capitals, see our feedback TP 2.1 - TP 2.3) at every stage of the results chain – not just the outcomes. The indicators and measures of value created are different at each stage of this continuous process, namely, the business activities, outputs, outcomes and impact. The proposed example should illustrate this.

Jean Raar, Independent, Australia

Undecided. The term 'value creation' used appears to have wide horizons. We, as the accounting profession use the term to relate to monetary value. 1.Are we considering the value to or of ' the commons'? 2.If we look at the 'capitals' ie financial, natural and human, then do we have a comparison to assist when determining an increase or reduction? 3.What is the basis for report linkage or integration? 4. An integrated report without sound underpinning systems may be more 'form over substance' than Substance over form'

Jenny Norris, Independent, United States of America

Yes. Again, any resources to clarify how to present are extremely useful, and connectivity of data is a key part of the framework.

Jimmy Jia, Oxford University / Independent, United States of America

Yes. I am an incoming DPhil student at Oxford, in the Smith School of the environment. My work is on creating a balance sheet metaphor for energy/climate management. In my work as a consultant, I have noticed that energy bills is effectively a flow-metaphor and triple-bottom line is a P&L metaphor. I am attracted to the IR movement because of its focus on capital and value creation. However, the balance sheet is where valuation is measured. It is in the balance sheet that a CFO will watch for value degradation and value creation.

My research at Oxford will focus on creating an energy balance sheet so that we can demonstrate the value of energy assets to a company's business model. Since energy is related to finance via the utility rates and related to carbon emissions via the fuel mix, energy thus is a stepping stone that connects financial metrics to carbon metrics.

I support IR's efforts developing a visualization of value creation and suggest that a balance sheet metaphor is an approach to make that connection.

Jo Cain, Materiality Counts, Australia

Yes. Examples can help users to see the value created, or eroded, by its outputs. Again, it is not just about connectivity from outcomes to value creation or erosion, but also the "value creation story" of how a reporting entity has a business model to implement its strategy to create value.

John Dumay, Macquarie University, Australia

Yes. However, it must emphasise value destruction alongside value creation. Even better would be for the IIRC to specifically define "value" - value for who? Just the providers of financial capital?

Jona Basha, Accountancy Europe, Belgium

Yes. (12) Accountancy Europe agrees that the <IR> Framework should further explain the link between outcomes and value creation by including illustrative examples. In this context we suggest the example also includes disclosures during different reporting periods in order to reinforce consistency as a guiding principle.

Judy Ryan, Independent, New Zealand

Undecided. I'm not sure that this will remove the bias in reporting. I think proposal c answers this better.

Julian Costabile, SMS Latinoamerica, Argentina

Yes. In the same line that the previous question, examples are also a great tool to clarify this. Additionally I suggest to point very clear in the framework that if it is not a clear link between the value creation model and the outcomes, the report is not according to the IR framework.

Jun Honda, WICI Japan, Japan

Yes, for the similar reason as the answer to Q1 above.

Junyoung Lee, KPC, Republic of Korea

Yes.

Kavita Jadeja, EY, India

Yes.

Le Quang TRAN VAN, Afep, France

Yes. Concrete examples based on best practices identified in integrated reports published by companies could help companies better describe the link between outcomes and value creation. However, we would like to insist on the following points: – The Framework requires to quantify or evaluate certain matters that substantially affect the company's ability to create value over different time horizons. Companies should in particular indicate their outcomes in terms of effects on the capitals, with an emphasis on companies' prospects. Quantifying or evaluating effects on capitals is extremely complex and it is even more challenging to identify and measure non-financial capitals. Companies can make their best efforts to describe in qualitative form certain uses of, or certain effects on, capitals. However, the interrelatedness and dependencies between the capitals are so complex that measuring value creation seems also too complex and too uncertain to be applicable by all companies. – Identifying and describing outcomes, particularly external outcomes, requires a company to consider the capitals more broadly than those that are owned or controlled by the company. For example, it may require disclosure of the effects on capitals up and down the value chain (e.g. labour practices of key suppliers). Including in the report matters that are attributable to other entities/stakeholders – in particular quantitative elements – can pose major difficulties in several respects: uncertain identification, overlap of reporting boundaries (between companies), lack of consistency over time and lack of comparability between companies. – Companies, which are keen to optimize their performance, are fully aware of the benefits of placing their activities in a medium and long-term perspective and of taking into consideration the prospects of these activities in their management and communication. However, given the limitations of any forecasting exercise, companies believe that, beyond a general outlook, the publication of forward-looking information – nature, granularity and time horizons of this information - should continue to be left entirely to the company. Indeed, mandatory publication of such information would pose three major problems: (1) given the uncertainties related to forward-looking information, it may be misleading to users; (2) due to constant changes within and outside companies, it would oblige them to publish updates, denials or profit warnings on an ongoing basis, increasing the risk of volatility and short-termism and ultimately contradicting the laudable objective of developing a medium and long-term vision of business activities; (3) given the sensitivity of some information, it could cause competitive harm to the company.

Leonie Meyer, Independent, South Africa

Yes the <IR> Framework should further explain the link between outcomes and value. However, keep illustrative examples for updates to the Background Paper: Business Models.

Lydia Tsen, Chartered Accountants Australia and New Zealand / CPA Australia (joint submission), International

Yes. Similar to our response to question 1, yes, we consider examples are helpful for report preparers and would be beneficial in this instance.

Mardi McBrien, Climate Disclosure Standards Board (CDSB), United Kingdom of Great Britain and Northern Ireland

Yes, illustrative examples are appreciated by report preparers.

Maria Farfan, Pontificia Universidad Javeriana, Colombia

Yes. The link between outcomes and value creation has to be clarified, since the definition of value creation can lead to confusion or misinterpretation, when the framework say value creation manifests itself in an increase, decrease or transformation of capitals caused by the activities and outings of the organization. Some people can think thar if some of the capitals decrease, it is not value created but destroyed, at least it is transformed in another kind of capital. Other people can think in value creation just as the way the organization makes money. Others can think in value creation just as the positive impacts in diferent capitals. I think the concept of value creation itself needs clarification.

Maria Towes, Durham University, United Kingdom of Great Britain and Northern Ireland

Yes. This will be advantageous to the organisation as well as supporting a more accurate assessment of the company within the report

Maria Angelica Costa, Independent, Brazil

Yes. Very important ! An example comparing how capitals were before, and after to be affected by outcomes, in order to be possible to see if the company created value. The metrics used to compare, the importance of control after actions to reduz or compensate the effects of outcomes.

Maria Eugenia Bellazzi, Sustenia, Argentina

Yes. We believe that the <IR> Framework should better explain the link between results and value creation, incorporating best practice examples.

Marje Russ, Independent, New Zealand

Yes. Linking outcomes to value creation is much clearer if those outcomes are described in terms of impacts (as outlined in the response to Q1). I have found the concepts of a footprint and handprint helpful. A footprint is an unavoidable imprint from an organisations' activities that will have negative and positive aspects (e.g. producing waste – negative for the environment; or paying wages and taxes – positive for the local economy). A footprint can and should be managed, where possible and appropriate, to minimise negative and maximise positive impacts. A handprint, in contrast, is the intentional impact of the business model, the outcomes and value creation it sets out to achieve. The handprint also includes the value destruction that may result as a by-product in the complex system of the six capitals where trade-offs between impacts may be needed or result. As an example, an output of vaccination packs enables the outcome of an inoculation programme in a community. This in turn has intended positive impacts on immunity and community health (value creation in human capital) but may have some negative impact on the natural environment from the use of resources that cannot be recovered/reused and result in medical waste for disposal.

Mark McElroy, Center for Sustainable Organizations, United States of America

Yes, and this should be explained or illustrated specifically in terms of impacts on the 'carrying capacities' of capitals. I first articulated this concept in print in 2008 and then again many times thereafter. If you use this idea, be sure to give attribution to it where attribution is due (i.e., to me and my 2008 publication at a minimum).

Massimo Romano, Independent, Italy

Yes, it could be useful to shift the reporting from a qualitative base to a more quantitative base.

Mervyn King, Senior Counsel and former Judge of the Supreme Court of South Africa, Chair of the African Integrated Reporting Council, Chair of the Integrated Reporting Committee of South Africa, Chair Emeritus of the IIRC, Chair Emeritus of GRI - Responding in an independent capacity, South Africa

Yes. The Framework in my view does explain the link between outcomes and value creation but it can only be enhanced by illustrative examples.

Michel Washer, Solvay, Belgium

Yes. Reference to the UN SDGs

Miguel Oyarbide, Australia Post, Australia

Yes.

Mike Tisdall, Insight Creative, New Zealand

Yes. Generally, most reports deliver the positive outcomes and it's easy to overlook or downplay the negative. The business model is supposed to be a value creation/depletion model after all, and too often the links are suppressed. In fact, I find that most clients spend more time on the 'exactly what we do every day' part in the middle, and less on the honest Outcomes. The hardest part in developing these things isn working out what to leave out, resulting in over-complex, hard to understand value creation model diagrams.

Nandita Mishra, Amity University, India

Yes. framework can explain the link between outcome and value creation. Value creation is the soul of <IR> and companies should do it effectively. Giving a explanation may increase effectiveness

Nandkumar Vadakepatth, DBV GL, India

Yes. Such examples will help better understanding and Reporting.

Nathalie Voisine, Capitalcom, France

Yes. cf previous answer

Nick Landrot, Consultland, France

Yes. Several examples

Nick Ridehalgh, Business Reporting Leaders Forum - Executive, Australia

Yes, the <IR> Framework needs to make the link between outcomes and value creation for the entity and for others more explicit.

Nick Topazio, Association of International Certified Professional Accountants, United Kingdom of Great Britain and Northern Ireland

Yes. There should be a limited number of illustrative examples that elevate the significance of outcomes as help to improve the link to value creation.

Nowmitta Jahanzaib, Institute of Cost and management Accountants of Pakistan, Pakistan

Yes. For example if Human capital is adding value alongwith intellectual capital,social capital, environmental capital,relationship capital and financial capital they collectively add value to the core of the establishment of ICMA Pakistan .Although it outcomes also yield some negative effecst too, like it takes a little longer to pass this exam and to pass it in teh first attempt one has to seriously sit down and forget leisure time completely with full focus on studies, but then again teh overall effect it has is positive for all the stakeholders .

Paul Hurks, NBA, Netherlands

Yes. 10. With reference to our response to Question 1, NBA supports the proposal for further guidance on the link between outcomes and value creation. We wish to emphasize that guidance is welcome for short-, medium- and long term value creation. There is a need for guidance on how to embed business model as the heart of the value creation model in daily practice. 11. Also here the primary objective should be clear guidance on the concept. It should be possible that the concept is well understood without illustrative examples. If that is achieved further illustrative examples are welcome. SDG-linkage may be considered.

Paul Thompson, European Federation of Accountants and Auditors for SMEs, International

Yes. Again this improves clarity of the Framework.

Phil Hughes, Independent, Australia

Yes.

Prof Barry Cooper, Deakin Business School, Australia

Yes, the <IR> Framework needs to make the link between outcomes and value creation for the entity and for others more explicit through a simple illustrative example.

Redefining Value, World Business Council for Sustainable Development, Switzerland

Yes, and possibly link to the ten themes that inform an understanding of value creation as listed in the IIRC's Value Background Paper (July 2013).

Richard Chambers, The Institute of Internal Auditors, United States of America

No. At face value, defining value creation as the net change in the six capitals is straight-forward and intuitive. As a term, it does sound more like it relates to the private sector, although it is generally understood that "value" does not necessarily mean financial return. However, similar to Q1, while the ambition is important to the notion of integrated reporting, in practice it is more difficult to measure value creation in respect of non-financial capitals. There is sometimes an implication that, in the end, it is only about financial capital. The other capitals are sources of potential financial capital. To measure value erosion, preservation, and creation, it is necessary to convert all capitals to financial values. This could be self-defeating, however, because all six capitals should be regarded as valuable for themselves. The matter is further complicated when considering capitals not owned by the organization. Extracting raw materials and consuming labor, for example, involves eroding (or perhaps converting) capitals that are publicly held into capitals that are held by the organization.

Richard Martin, ACCA, International

Yes, examples will support understanding, these could be best selected from good examples within the business network reviews.

Ron Gruijters, Eumedion, Netherlands

Undecided. We refer to our response under Q1.

Sasol Integrated Reporting Team, Sasol, South Africa

Yes. It will enable better understanding of the link between outcomes and value creation.

Sergey Kuzubov, Centre for Intellectual Capital, Higher School of Economics, Russian Federation

Yes.

Sergio Cravero, PwC, Argentina

Yes.

Shimellis Assegahegne, Independent, Ethiopia

Yes.

Simon Clow, Koan Group, Netherlands

Yes. We believe this would also help, though would suggest:

a) Extending the example to include inputs as well (to ensure reporters also explain how their businesses create value in part by drawing down stocks of capitals). b) Recommending that, where possible, companies report on 'desired outcomes' by either capital or stakeholder group (including, how these outcomes would be measured, and performance against these measures) c) Emphasising that value creation covers both positive and negative impacts (and that these may vary by both capital and stakeholder).

Stathis Gould, International Federation of Accountants (IFAC), International

Yes.

Stefan Hanne, Kirchhoff Consult AG, Germany

Yes.

Tenglum Low, Owliswise Sdn Bhd, Malaysia

Yes.

Thomas Scheiwiller, IMPACTS, Switzerland

Yes.

Tjeerd Krumpelman, ABN AMRO, Netherlands

Yes. Again, could also perhaps be covered through training and sharing of best practices.

Tokiko Fujiwara-Achren, Independent, Finland

Yes. Same as previous answer : illustrative example and visual techniques is a very useful and helpful to understand abstract terminology/things.

Tokiko Yokoi, Independent, Japan

Yes. Please see Q1.

Uantchern Loh, Black Sun, Singapore

Yes.

Usha Ganga, HAN University of applied sciences, Netherlands

Yes. It will help preparers to have multiple examples from which to understand how an outcome can be transformed into an explanation of value creation or depletion. I believe it would be best if the IIRC includes two examples: one example on value creation and one example on value depletion.

Veronica Poole, Deloitte, United Kingdom of Great Britain and Northern Ireland

Yes. We agree that there is benefit in reinforcing the connections between value creation and outcomes/impacts.

This might be readily achieved through additional examples and guidance for practitioners rather than including them in the <IR> Framework, which should focus on concepts rather than application and implementation guidance. It is, in our view, important not to portray the <IR> Framework as a reporting standard.

Warren Koen, Export Credit Insurance Corporation, South Africa

Yes.

Wesley Boone, ABN AMRO, Netherlands

No. In my opinion this is not neccesary.

Question 3. Should Sections 4C and 4F of the <IR> Framework further reinforce:

- That the term 'value creation' also reflects cases in which value is preserved or eroded?
- The importance of providing evidence to support claims and conclusions made in the integrated report?

Adam Williamson, AAT, United Kingdom of Great Britain and Northern Ireland

Yes. It is a basic tenet of IR that it covers both value creation and depletion. Undoubtedly, a tendency to reporting positive value outcomes is a hard habit to break so reinforcement will be valuable.   IR reports are of no value if readers cannot have confidence in the validity of the claims and conclusions made, and this point would benefit from being emphasised.

Adrian Scasserra, Independent, Argentina

Yes.

Alan Willis, Independent, Canada

Yes. Proposal C is clear enough as set out on page 6, but the inclusion of "evidence" should be more by way of providing real life examples to support claims and conclusions, not lengthy, detailed, technical explanations.

Aleksandra Stanek-Kowalczyk, SAPERE, Poland

Undecided.

Alexander Kurnikov, 1C, Ukraine

Yes.

Alexandra Chistyakova, JSC ASE, Russian Federation

Yes.

Anastasia Gabrielyan, Da-Strategy, Russian Federation

Yes, definitely. In addition, we suggest replacing the “creation” of value with the “formation” of value to complement the catholicity of this meaning.

Andrej Drapal, Consensus d.o.o., Slovenia

Yes. I strongly believe that business model should be better integrated in reporting. But on the other hand we should not overburden reporting with too many details. The erosion of value should be reported for instance, but not all erosions are quantifiable. Higher the hierachy of KPIs we go, more they become abstract or conceptual. We are all striving to define final one number that would tell everything, but this is in fact very damaging goal. Not everything is reducible to a number. This is well known from physics where strict reductionism produces false results. Within integrated thinking, seriously taken, we should not be obsessed by numbers (only). So not only 4C and 4F should be reformulated into a direction of higher clarity about business model inclusion within IR, but with greatest care possible. It is not so much technical, but practical philosophical question behind this.

April Mackenzie, External Reporting Board, New Zealand

Yes. - We firmly believe that an integrated report should cover all types of value creation for the entity, not just the "successes". Consequently, We strongly support the inclusion of discussion on value preservation and value erosion. This is because the entity needs to tell its story of all that has happened during the reporting period to give stakeholders a realistic picture of its activities and satisfy the qualitative characteristic of faithful representation.

- We also support evidence-based reporting. Verifiability of the conclusions in the integrated report is extremely important in our view. It also facilitates the ability to audit the integrated report.

Azizah Mohd Ghani, Malaysian Institute of Accountants (MIA), Malaysia

Yes. Point 1: As stated in Paragraph 4.19 of the <IR> Framework, an integrated report describes key outcomes, including both positive outcomes (i.e., those that result in a net increase in the capitals and thereby create value) and negative outcomes (i.e., those that result in a net decrease in the capitals and thereby diminish value). Hence, there is clarity that outcomes would affect value creation.

However, as most adopters mainly focus on positive outcomes, there could be more guidance on how greater balance in reporting can be achieved in articulating how value was 'added', 'preserved' or even 'eroded' in the value creation process, which are affected by both positive and negative outcomes, for the benefit of readers of an integrated report. To encourage balanced reporting, the IIRC should consider seeking views on what further steps that might be helpful to preparers, for example, by focusing on industry level measurement and disclosure framework to promote standardisation and reduce the ability to conceal unfavourable outcomes.

Point 2: Considering that assurance on is presently not widespread, evidencing claims and conclusion is very important to give credibility to the integrated report and management should be mindful to ensure that it is carried out.

As compared to providing evidence to support claims and conclusions made in the integrated report, due consideration should also be placed on assurance services to be rendered on the integrated report by specialists which would provide greater reliability and comfort to the users of the integrated report for the claims and conclusions made in the report. Illustrative examples of claims and the supporting evidence required would be useful to determine the kind of information, especially forward-looking statements, that would be appropriate for disclosure in an integrated report. The IIRC should work more closely with the International Auditing and Assurance Standards Board to promote the guidance for Extended External Reporting (EER), which is currently under exposure draft period, as the guidance has the potential of promoting greater use of assurance services.

Beat Schweizer, PETRANIX, Switzerland

Undecided. I think the meaning of the term value creation should be stressed and clarified, both in terms of positive and negative impacts, but also in terms of what kind of value is meant.

The importance of evidence to support claims and conclusions is quite inherent to the nature of those statements, so I don't think action is needed there, it should be obvious.

Bernd Schönhofer, Munich Airport, Germany

No. To date, this would probably demand too much from the companies. This should only be taken into account when the transition towards more purpose-oriented businesses is more advanced (probably in a few years from now on). For the time being, the focus should remain on reporting only – otherwise it could become too time-consuming and also too voluminous for everyone involved.

Bhavin Bryan Kapadia, Sustainable Derivatives, United States of America

Yes.

Bill Baue, r3.0, United States of America

Yes. To reiterate, your formulation continues to miss the essential point of System Value creation. Yes, you must focus on value preservation and erosion / diminution, but you continue to neglect to frame this at the System Value level, and to take carrying capacities of the capital into account. Ultimately, what really matters is whether the organization creates value across all the capitals in ways that create / preserve System Value, ie preserve capitals stocks and flows within the thresholds of the carrying capacities of *all* the capitals affected by the organization's business model.

Black Sun PLC, United Kingdom of Great Britain and Northern Ireland

Yes. This is often overlooked by even experienced reporters. An explanation would reinforce the balanced approach needed for a topic that is integral to the IR

Framework. Also, regarding point 2; since assurance is often limited for non-financial information, a request for evidence would support more credible statements.

Bob Willard, Sustainability Advantage, Canada

Yes. It seems like an oxymoron to include value erosion as a kind of value creation. It would be clearer to use the term "impact" or "impact on stakeholders" or "impact on capitals," instead. Companies struggle to with how to credibly size their impacts on the value of natural, human and social capital? They need guidance on how to assess their impacts on the environment, employees and communities / society-at-large, and how to use that quantified performance as proxies for impacts on associated capitals. The attached figure shows how the Future-Fit Business Benchmark could help with that assessment. (Attach: FFBB mapped to IR Capitals figure v2.pdf)

Bruno Gasparroni, UniCredit Group, Italy

Yes. - In a report with quantitative KPIs in terms of targets and results achieved, it should also be highlighted when the value has been eroded.

- Effective and transparent reporting must contain as much quantitative KPIs as possible to support the description of the company activity and the value creation process.

Carlos Brandão, Independent, Brazil

Yes. Because value preservation, in some instances, can be the best strategic alternative for many companies. Because evidence can provide key insights for the report users.

Carol Adams, Individual/Academic/Durham University Business School, United Kingdom of Great Britain and Northern Ireland

Yes. Reports have no credibility when they focus primarily or only on value creation. Reports should contain indicators demonstrating material value creation and destruction drawing on GRI Standards and other relevant, material indicators.

Cédric Gélard, CNCC/CSOEC, France

Yes. We agreed that the <IR> Framework reinforces that the term "value creation" also reflects cases in which value is preserved or eroded, in order to ensure that the IR meets the guiding principle of "reliability and completeness". We also agree with reinforcing the importance of providing evidence to support claims and conclusions made in the integrated report.

Chee Wee Tan, DBS, Singapore

Undecided. i. Behavioural: To promote balanced reporting, reporters should focus on "what steps are taken to improve" and readers (especially shareholders) should reward such honesty and transparency. Attention over the mid and long-term progress over short-term success is another key consideration. ii. Disclosure: proposal of (i) Address the inherent bias introduced by the term 'value creation' and (ii) reinforce the importance of providing evidence for claims and conclusions may not yield the results wanted. Because (i) is unlikely to effectively promote the right behavioural and (ii) would promote disclosing truthful positives but not disclosing negatives. IIRC may consider engaging readers (especially shareholders) on their risk & rewards for reading balanced reporting to encourage a behavioural change in reporters.

Cornis Van der Lugt, University of Stellenbosch Business School, South Africa

Yes. As the paper notes, all of this is already in the Framework. IIRC like GRI acknowledges that impacts externally translate back into consequences for the reporting entity itself.

There will always be biased reporters and unbalanced reports. A standard framework cannot prevent this. But the reminder / reinforcement would be good to add.

Constanza Gorleri, Banco Galicia, Argentina

Yes. find very difficult to identify the negative or null impacts of the actions they manage or of their material topics. Therefore, the <IR> Framework should explain in more detail the cases in which the value is preserved or eroded. This would be very useful for the elaboration of the value creation model, and a guideline of how to approach that analysis.

David Herbinet, Mazars, United Kingdom of Great Britain and Northern Ireland

Yes. See above our response to Q2 suggestions to further explain "value creation" as a net aggregate figure. We would agree with reinforcing the disclosure of internal and external preservation of capital which reflects good stewardship of existing assets. All information and statements made in an integrated report should be credible and supported by evidence. This should be achieved through the implementation of effective procedures and controls that enable data to be measured or directional or purely qualitative disclosures to be provided reliably. The overarching principle for all content included in an integrated report is that it should be capable of being assured even if this option is not taken up by the reporting entity.

Dawn Baggaley, NZ Post, New Zealand

Yes. Agree that value creation implies it is all positive and does not cover negative or unintended consequences. Evidence is important. In my opinion, integrated reports lack evidence that the business has considered its theory of change and impacts. If all businesses took this step they would be able to identify the stakeholders they impact, positive and negative, intended and untended consqeuences and identify relevant indicators. I would rather see a Theory of Change in every report than a VCM diagram. This would provide good evidence as to whether the business was thinking across all stakeholders and impacts. I would also be keen to see evidence as to how a business has engaged with its stakeholders on its theory of change - this could be done during the materiality process

Deidre Henne, McMaster University, Canada

Yes. Forcing balanced reporting of both and linking the identification of both to risk and opportunity assessments along with scenario impact analysis would be useful and helpful to readers.

Delphine Gibassier, Independent, France

Yes. Companies should address each of the capitals in their "business model" elsewhere (in the capitals part of the report). I too often see "intellectual capital" in the visual, and then nowhere else! evidence to support claims (negative & positive, and the right "accounting" to it) is necessary

Derick Nkajja, Institute of Certified Public Accountants of Uganda (ICPAU), Uganda

Yes. (i) If the requirement for value creation' reflecting cases in which value is preserved or eroded is not included within sections 4C and 4F, the need to disclose the same would be in vain and would remain more persuasive. This will equally render the illustratives proposed in Q2 above redundant if at all the Council considers permitting them for inclusion within the Framework. (ii) It would be important to provide evidence to support any claims and conclusions made within the integrated report. This will enhance transparency and accountability, which are essential in building trust and resilience among the stakeholders and avoiding using integrated reports as marketing devices.

Dilma Pimentel, Otimiza Consultoria em Gestão Empresarial, Brazil

Yes.

Dr. Erkin Erimez, ARGE Consulting, Turkey

Yes. i. Currently value creation has been understood as creating positive value. However, value could be destroyed, preserved or created due the activities and business model of organization. Definition of value creation needs to be extended to include value destruction and value preservation. ii. Providing data for supporting value creation claims would be very useful for improving trust to the organization. Only qualitative information could not be enough to create trust by the stakeholders.

Dr. Fatma Öğücü Şen, Argüden Governance Academy, Turkey

Yes. Currently value creation has been understood as creating positive value. However, value could be destroyed, preserved or created due the activities and business model of organization. Definition of value creation needs to be extended to include value destruction and value preservation. Providing data for supporting value creation claims would be very useful for improving trust to the organization. Only qualitative information could not be enough to create trust by the stakeholders.

Edouard Gridel, Institut du Capitalisme Responsable, France

Yes. IR must give hints at the degree of value which has been created, or destroyed. Remarks and proofs on value destruction will be a test of sincerity of an IR.

Elda Almeida, Independent, Argentina

Yes.

Fay Hoosain, Integrated Reporting Committee of South Africa, South Africa

Yes. Regarding i, the Framework explicitly states that the term "value creation" also reflects instances where value is preserved or eroded. However, given the misunderstanding in some quarters, extra emphasis may be needed here. As stated in our response to Q1 above, for enhanced understanding we suggest consideration of the use of the terms, as found in King IV, of positive value creation, negative value creation and neutral value creation in the Framework. Regarding ii, the notion of "evidence" is stated in the Framework is desirable to support disclosures made and we agree that this a best practice recommendation. However, we would not like to see the undesired and unintended consequence of preparers omitting disclosure entirely because no quantitative information is available; at the least qualitative disclosure should be given in the integrated report.

It should be emphasised that while an organization may not have systems in place to measure all outcomes, it is still required to report on all material information and should not simply leave them out due to the absence of quantifiable information or evidence.

Fernando Portus, Independent, Argentina

Yes.

Fiona Robertson, Independent, United Kingdom of Great Britain and Northern Ireland

Yes. This is vital because creation of value for an organisation could cause an unacceptable erosion in value for the environment and society, therefore businesses may need to accept that some actions may cause an erosion in short term profits which actually will prevent then from a significant erosion of value longer term through damaged reputation.

Ginny Fahs, Independent, Singapore

Yes. Additional guidance is always helpful. A reminder about the importance of evidence will likely improve reporting quality. A reminder that 'value creation' includes value preservation and erosion is not as likely to change behavior, as it is in the organization's best interest to deflect attention from the negative side of their work.

Graham Terry, Independent, South Africa

Yes.

Guler Aras, Integrated Reporting Turkey Network (ERTA), Turkey

Yes. 1.That the term 'value creation' also reflects cases in which value is preserved or eroded? Some of our members believe that this reinforcement will be helpful. Some of them believe that the framework has already explained the term clearly. They think that the reason companies have not met this requirement is the fact that they are reluctant to show the negative cases. So they believe that a greater emphasis on negative, as well as positive, impacts on value may go some way to encouraging report preparers to present more balanced information. 2. The importance of providing evidence to support claims and conclusions made in the integrated report? Our members believe that the regulations about this issue should be enforced. Otherwise, they think that companies would not be so eager to report negative impacts. Besides, they think that the claims and conclusions could be solidified with quantitative data where possible as well as examples and/or quotations. We think that providing quantitative data is extremely important in terms of comparison on a year and company wise. In addition to this, the framework could identify KPIs relating to value change and consistently report on them, enabling comparability over time for end users. Our member CFGS supports this proposal and added that using objective accounting and activity metrics would provide evidences for report users and it would also support to generate comparable data. For these proposed metrics, SASB's industry and sector specific Materiality Map could be referred to an impact-focused methodology categorizing companies under a sustainability lens.

Herma van der Laarse, ABN AMRO, Netherlands

Yes. Creating balance in an integrated report is always a challenge and difficult to achieve on a specific basis of guidelines. So including this in the <IR> Framework would help in internal debates and discussions.

Inés García Fronti, Buenos Aires University, Argentina

Yes.

Innocent Sithole, Training and Advisory Services, Zimbabwe

Yes. i. We fully support the notion since faithful presentation is only achievable if the information reported on is neutral or free from bias. Provision of both cases in which value is preserved or eroded will greatly assist in accomplishing this. ii. Evidence is imperative to eschew instances of providing unsubstantiated assertions. This will vastly enhance the quality of decisions made by users of the <IR> report because they will be based on proved facts rather than hearsay or wished for position or outcome.

J Robert Gibson, Hong Kong University of Science and Technology, China

Yes. Balance is important. Recommend it is linked closely to materiality. That is: Reporters should identify their most material outputs report the report the impact of these outputs on the value of the the capitals. For Social and Natural Capitals it is often not possible to quantify the change in value but the report should indicate whether value is increased or decreased and the indicators the reporter considers when determining this.

Jayantha Nagendran, Smart Media The Annual Report Company, Sri Lanka

No. TP 2.5 The <IR> Framework is adequately clear that 'creation' can mean an increase, decrease or preservation. It is no different from the term 'growth' which can be positive, negative or zero. TP 2.6 Providing evidence to support any claim or conclusion is not unique to integrated reporting. However, given the paucity of indicators and measures for reporting on many of the capitals, what is required is guidance through examples of proxies that could be used instead. Without that, merely emphasising the "importance" is of little value.

Jean Raar, Independent, Australia

Yes.

Jenny Norris, Independent, United States of America

Yes. extra clarification is helpful. Examples may be helpful related to evidence to support claims and conclusions. The idea of having to provide evidence may discourage potential new IR preparers, because they see it as an undue burden.

Jimmy Jia, Oxford University / Independent, United States of America

Yes. I agree that asset performance includes all three cases, where value is created, eroded, or maintained. CFOs and corporate treasurers need to pay attention to their financial assets for performance and the same principles needs to be applied to all other forms of capital.

Jo Cain, Materiality Counts, Australia

Yes. As a member of the Auditing and Assurance Standards Board (AUASB) in Australia, balance is a critical part of enhancing credibility and trust in reporting. Assurance is another important vehicle towards achieving this. If only value creation is reported, and potential value erosion not acknowledged, the reader may question the openness and transparency of the entire IR, i.e. does it only report "good news".

John Dumay, Macquarie University, Australia

Yes. Call it what it is - if it is not "value creation" it is "value destruction". If you don't use the correct antonym it will continue to be biased.

Jona Basha, Accountancy Europe, Belgium

Yes. (13) Accountancy Europe agrees that the <IR> Framework reinforces that the term "value creation" also reflects cases in which value is preserved or eroded, in order to ensure that the IR meets the guiding principle of "reliability and completeness". (14) We also agree with reinforcing the importance of providing evidence to support claims and conclusions made in the IR.

Judy Ryan, Independent, New Zealand

Yes. The materiality analysis drives what is covered in the report and this is the most important section to ensure that both positive and negative impacts are considered. However, reinforcing this throughout the document is useful.I think reinforcing societal impacts in the materiality phase might elevate some of the negative consequences. It is easier to discount externalities.

Julian Costabile, SMS Latinoamerica, Argentina

Yes. As in any Corporate Report, it is very important that claims are supported by evidence and hard data. Preparers should not confuse an Integrated Report with other communication tools used for different purpuses.

Jun Honda, WICI Japan, Japan

Yes, but within the context of the "principles-based."

Junyoung Lee, KPC, Republic of Korea

Yes.

Kavita Jadeja, EY, India

Yes.

Le Quang TRAN VAN, Afep, France

No. It is problematic for companies to communicate on how they erode value. However, the bias identified by the IIRC in the Topic Paper is mitigated – as far as EU companies are concerned – by disclosure rules in force in the EU pursuant to the Non-financial Reporting Directive which requires large and public companies to disclose the main risks and (negative or positive) impacts of their activities. Large French companies therefore consider that there is no need to amend the framework in this regard.

Leonie Meyer, Independent, South Africa

Yes. This would be the most valuable improvement to the Framework. The omission of facts within a business model is in my believe the biggest contributor to poor business model disclosure.

Management bias should be removed from business model disclosure. Investors want unbiased detail on the business model. What makes the business model unusable is the fact that negative impacts are simply ommitted from outcomes.

Lydia Tsen, Chartered Accountants Australia and New Zealand / CPA Australia (joint submission), International

Yes – the term value creation does not automatically suggest it would also include preservation and erosion of value and as such, clarification of this would be helpful.

Yes, we agree that claims and conclusions should be supported by evidence where possible. The use of evidence helps to provide credibility to the claims and conclusions drawn, and will be useful to assurance practitioners to the extent that assurance is sought on the report, or over the claims and conclusions themselves.

Mardi McBrien, Climate Disclosure Standards Board (CDSB), United Kingdom of Great Britain and Northern Ireland

Yes. It may be helpful to have explanatory notes to show cases where value is preserved or eroded. For example, this could follow a similar format to previous IIRC Technical Resources, i.e. The Background Paper on Value Creation (see: https://integratedreporting.org/wp-content/uploads/2013/08/Background-Paper-Value-Creation.pdf). In the same manner, similar guidance could offer advice on what evidence would be useful to substantiate the claims and conclusions in the integrated report.

Maria Farfan, Pontificia Universidad Javeriana, Colombia

Yes. The explanation has to be not only about that the term "value creation" also reflects cases in which value is preserved or eroded but in the reasons for that affirmation, and some examples of why, even if one capital is eroded, it is inside the term value creation. I'm not strongly agree with providing evidence of the conclusions, maybe an overview but not too much information, overall for the conciseness of the report. If you think in a financial report, you don't show all the evidence but just the necessary for users to understand them. In the same way information about integrated reports shoud contain enough information for users to understand the topic, but if they need more information or clarification should see this in an annexx or ask for it directly to the organization.

Maria Towes, Durham University, United Kingdom of Great Britain and Northern Ireland

Yes. This will be advantageous to the organisation as well as supporting a more accurate assessment of the company within the report

Maria Angelica Costa, Independent, Brazil

Yes. see my last explanation.

Maria Eugenia Bellazzi, Sustenia, Argentina

Yes. Due to our experience, companies find very difficult to identify the negative or null impacts of the actions they manage or of their material topics. Therefore, the <IR> Framework should explain in more detail the cases in which the value is preserved or eroded. This would be very useful for the elaboration of the value creation model, and a guideline of how to approach that analysis. Besides, we consider it very useful that the value creation model refers to the places where the information communicated is expanded as evidence of what is being presented in this model.

Marje Russ, Independent, New Zealand

Yes. The term value creation, when used in relation to the value creation process associated with a business model, should reflect creation, preservation and erosion of value. The importance of an evidence base to support claims, information and conclusions in the integrated report should be strongly reinforced in the Framework, and in particular in sections 4C and 4F.

Mark McElroy, Center for Sustainable Organizations, United States of America

Yes, and here again there can be no better way of expressing value creation performance than by quantifying it in terms of impacts on the carrying capacities of capitals. Positive impacts create or expand it; negative impacts erode it; and neutral impacts preserve it. Once again, the correct reference to the origination of this idea (i.e., to the carrying capacities of capitals and how to measure and report them) is to my 2008 publication and others in which I introduced and explained this idea. You are welcome to use it, but only with proper attribution.

Massimo Romano, Independent, Italy

Yes. Evidences which support trends or comments are welcome, considering the comparability over time and within each sector.

Mervyn King, Senior Counsel and former Judge of the Supreme Court of South Africa, Chair of the African Integrated Reporting Council, Chair of the Integrated Reporting Committee of South Africa, Chair Emeritus of the IIRC, Chair Emeritus of GRI - Responding in an independent capacity, South Africa

Yes. 3. To provide evidence to support claims and conclusions made in the integrated report can be positive. This, however, must be done with caution so that it fits into the requirements of assurers. The Framework is peppered with assurance friendly features and the providing of evidence must not negate that present positive situation.

Michel Washer, Solvay, Belgium

Yes.

Miguel Oyarbide, Australia Post, Australia

Yes. In general, provide definitions in a glossary - multiple terms in are subject to readers' interpretation. Current guidance often explains concepts by saying 'an integrated report aims to...', or 'an organisation may...' as if it was describing what reporters are doing rather than defining what the requirements of an integrated report actually are. 'Materiality' and how to define boundaries are other examples where interpretation can create confusion and make implementation differ from reporter to reporter.

Mike Tisdall, Insight Creative, New Zealand

Yes. My earlier comments seem to have predicted this question. This has worried me for some time. Great to see that others have developed similar concerns.

Nandita Mishra, Amity University, India

Yes. According t me the 2nd part is really very important. Providing evidences to support your claims and conclusion will actually improve the quality and understanding of the term value creation

Nandkumar Vadakepatth, DBV GL, India

Yes. Without evidences or examples supported with data or data trends, readers or stakeholders will not be able to connect organisations value creation to business model and external environment.

Nathalie Voisine, Capitalcom, France

Yes, providing a balanced perspective is one of the core principles of an integrated report. Yet, our experience has shown that it is often a complex issue for companies to communicate on. Such evidence should be disseminated throughout the report, as it's the aim of the whole reporting, not only the BM section. Certifications - linked to material topics - are relevant to reinforce trust in the information disclosed but again it is also important to provide context elements to explain (not justify) the performance and results, not only figures.

Nick Landrot, Consultland, France

Yes. In order to ease comparison among issuers

Nick Ridehalgh, Business Reporting Leaders Forum - Executive, Australia

Yes. i. That the term ‘value creation’ also reflects cases in which value is preserved or eroded? We believe a greater emphasis on negative, as well as positive, impacts on value may go some way to encouraging report preparers to present more balanced information. ii. The importance of providing evidence to support claims and conclusions made in the integrated report? Sections 4C and 4F should remind preparers that the inclusion of evidence supporting claims and conclusions adds to the reliability, balance and completeness of an integrated report.

Nick Topazio, Association of International Certified Professional Accountants, United Kingdom of Great Britain and Northern Ireland

Yes. These areas are important and as the IIRC's own review of integrated reports highlight deficiencies in reporting then further concise reinforcing may prove useful.

Nowmitta Jahanzaib, Institute of Cost and management Accountants of Pakistan, Pakistan

Of course yes, it would further validate the value creativity apart from reporting the elemst that preserve or erode value.The report has to be bias free and should not exagerrate anything .It ashould report what it is , but should stick to the frame work of IR.

Paul Hurks, NBA, Netherlands

Yes. 12. NBA is supportive of the proposal under 3.i. Guidance is welcome to reflect the need for a well-balanced approach of the concept of value creation, which can also be negative in the short, medium and long term.

13. NBA agrees with the proposal under 3.ii. Guidance is welcome to reflect the need of providing evidence to support claims and conclusions made in the Integrated Report; this would contribute tot he ‘assurability’ of the Integrated Report.

Paul Thompson, European Federation of Accountants and Auditors for SMEs, International

Yes. This is key to building credibility of what's reported.

Peter Paul van de Wijs, GRI, Netherlands

Yes. Proposal C: The GRI Standards require organizations to disclose both positive and negative impacts and thus GRI recommends that <IR> Framework’s references to value creation reflects both preserved or eroded value.

Phil Hughes, Independent, Australia

Yes.

Prof Barry Cooper, Deakin Business School, Australia

Yes. Q3i) Yes, sections 4C and 4F need to remind users that value creation also reflects cases where value is preserved or indeed, eroded. We believe a greater emphasis on negative impacts on value may also go some way to encouraging report preparers to present more balanced information. Q3ii) Yes, sections 4C and 4F need to remind users that the inclusion of evidence supporting claims and conclusions adds to the reliability, balance and completeness of an integrated report.

Redefining Value, World Business Council for Sustainable Development, Switzerland

a) Yes. This was addressed to some extent in the IIRC’s Value Background Paper section 3A.

b) Yes. There is a list of information points to support value creation claims in paragraph 47 of the IIRC’s Value Background Paper.

Richard Chambers, The Institute of Internal Auditors, United States of America

Yes. Notwithstanding previous comments, it seems logical that “value creation” is generally understood as a net positive change in capital. One can talk of zero value creation (i.e., preservation) or negative value creation (i.e., erosion). b) No. Providing evidence to back up claims is once more in the spirit of the Framework, but it introduces significant complexity that is not required for financial reporting, nor by other non-financial reporting frameworks (e.g., GRI).

Richard Martin, ACCA, International

Yes. (in response to That the term ‘value creation’ also reflects cases in which value is preserved or eroded?) Yes, this would help. Alternatively, a more fundamental change could be adopted, changing the term value creation to value change. This would directly reflect what is meant, so value ‘x’ is value change at an organisation or higher level resulting from changes across the outcomes.

(in response to The importance of providing evidence to support claims and conclusions made in the integrated report?) Yes, the importance of evidence should be reinforced. An aspect of evidence is that organisations should identify KPIs relating to value change and consistently report on them, enabling comparability over time for end users.

Ron Gruijters, Eumedion, Netherlands

Yes. Ad i. Eumedion indeed believes that companies that apply (part of) the Framework to their annual report commonly report on positive outputs and outcomes, which is frequently linked to positive value creation. Companies less commonly report on negative outputs and outcomes, and as such also the erosion or destruction of value is possibly underrepresented or ignored. This might suggest a process of 'cherry picking', whereby a company uses the value creation model to primarily present positive results. Such may also be partially caused by various instances where the Framework is not applied to the whole of report, but where it is stated that a report has been 'aligned with' or 'inspired by' the Framework. However, section 4 of the Framework already reads: 'Reliability and completeness: An integrated report should include all material matters, both positive and negative, in a balanced way and without material error'. Eumedion fails to believe that the root cause of unbalanced reporting is any deficiency in the Framework itself. We refer to our green paper 'Towards a global standard setter for Non-Financial Information' that calls for an international authoritative body to step up to the plate to foster harmonisation of requirements on narrative and measurement and ultimately allows for enforceability. Eumedion calls on the IIRC to support the creation of such a global standard setter.   Ad ii. We agree. The framework could indeed focus more on requiring evidence, beyond the descriptions of policies.

Sasol Integrated Reporting Team, Sasol, South Africa

Yes. Positive and negative value creation needs to be reinforced and better understood.

Sergey Kuzubov, Centre for Intellectual Capital, Higher School of Economics, Russian Federation

Yes.

Sergio Cravero, PwC, Argentina

Yes.

Shimellis Assegahegne, Independent, Ethiopia

Yes.

Simon Clow, Koan Group, Netherlands

Yes. For (i):   • Yes – see above (prev answer). Again, would also emphasise the link between inputs, outputs and outcomes – that, for example, a mining company draws down natural capital (input) to create financial value, but may also have a negative impact on the environment /climate as a by-product of its activities. These should all be included in reporting to make clear management choices /trade-offs. For (ii): • Would suggest this is included specifically in the guidelines (reporters should disclose sources, scope and overview of the report's review & approval process etc.) This could be enhanced by recommendation to conduct external assurance as best practice (at least 'limited assurance', covering data /KPIs related to value creation /depletion).

Stathis Gould, International Federation of Accountants (IFAC), International

Yes.

Stefan Hanne, Kirchhoff Consult AG, Germany

Yes.

Tenglum Low, Owliswise Sdn Bhd, Malaysia

Yes.

Thomas Scheiwiller, IMPACTS, Switzerland

Yes.

Tjeerd Krumpelman, ABN AMRO, Netherlands

Yes. Both positive and negative value creation should be covered here, should also relate specifically to core-activities or impacts of the organization.

Tokiko Fujiwara-Achren, Independent, Finland

Yes, persuasion, especially for investors.

Tokiko Yokoi, Independent, Japan

Yes. I suppose that it would be useful to provide both sides of the information backed by evidence.

Uantchern Loh, Black Sun, Singapore

Yes.

Usha Ganga, HAN University of applied sciences, Netherlands

Yes. Balance is a problem in integrated reports. Even current best practice reports are overly optimistic. One of the problems that lead to this unbalance is due to the fact that context is often lacking in the integrated reports. One of the other problems is due to semantics. Value depletion / erosion is often reported on by reporting on reductions of negative impacts. I would suggest that the further reinforcement would include guidance on the way value erosion can be reported on so that it is clearly demonstrated that the company is erosing the value of that capital.

Veronica Poole, Deloitte, United Kingdom of Great Britain and Northern Ireland

Yes. We agree that value creation for the organisation can lead to both positive and negative outcomes/impacts, and these should be reinforced. There is good content in paragraphs 3.15-3.16 of the <IR> Framework on stewardship for the capitals – which readily links to the purpose of the organisation. These paragraphs could be connected more explicitly to value creation. Consideration could also be given to trade-offs across the capitals – how the company balances different priorities and impacts over varying time horizons. This is a concept that is being explored by initiatives such as the Value Balancing Alliance.

We agree that evidence is an important ingredient to enhance authenticity, balance and credibility of claims and conclusions made on value creation. This links to Topic Paper 1 on the role of those charged with governance in processes and preparation of corporate reporting, and to Topic Paper 3, on the role of assurance. Metrics and quantitative information also play an important role, including targets and progress towards them over time.

Warren Koen, Export Credit Insurance Corporation, South Africa

Yes.

Wesley Boone, ABN AMRO, Netherlands

Yes. Just for the evidence. I find the dual meaning of value creation to be sufficiently included in the framework, but do support to emphasize on the importance of providing evidence to support claims. Even stronger, I would support to include as much as (relevant) quantitative metrics into the report ánd Value Creation Model to depict the value creation or depletion (like we have done in the 2019 ABN AMRO Integrated Review for example). This should automatically help on being able to provide evidence as quatitative figures / metrics are based on data.

Question 4. Should the <IR> Framework clarify its coverage of longer-term impacts on society and nature, under its existing 'outcomes' definition?

Adam Williamson, AAT, United Kingdom of Great Britain and Northern Ireland

Yes. Clarification on how impacts and outcomes both converge and differ would be helpful, again with some illustrative examples as suggested in the previous response.

Adrian Scasserra, Independent, Argentina

Yes.

Alan Willis, Independent, Canada

Yes. Again, for one who, like me, took part in developing the <IR> Framework, such clarification is unnecessary, but evidently for many users of the Framework this is not the case, so some clarification is needed. It could be stated somewhere that, for the purposes of the Framework, "outcomes" and "impacts" are synonymous (which to me they are, though some seem to think otherwise). The definition of Outcomes could fix this, with perhaps also a few mentions at key places in the main text. Also, the focus on <IR> primarily to meet the needs of "providers of financial capital" may need to be adjusted to reduce any unintended bias towards a focus on short term financial outcomes.

Alexander Kurnikov, 1C, Ukraine

Undecided. Better to add an illustrative example with automobiles

Alexandra Chistyakova, JSC ASE, Russian Federation

Yes.

Anastasia Gabrielyan, Da-Strategy, Russian Federation

Yes, definitely. Moreover, it is advisable to supplement the <IR> Framework with requirements referring to plans for the capitals' transformation

Andrej Drapal, Consensus d.o.o., Slovenia

Yes. Shoudl IR go in the direction of external outcomes on nature and social environment, it will lose its basis. We are talking about 6 capitals. All 6 of them should be considered when opening any issue within IR, and not outcomes only! I'm afraid that you have succumbed to flower power ideology that has forgotten the basis of any business.

April Mackenzie, External Reporting Board, New Zealand

Yes. We agree with including longer term effects on society and nature within the existing outcomes definition as outcomes can be short, medium or long term. However, we consider the use of "impacts" can be confusing for some stakeholders and suggest that "effects" be used in the definition instead of "impacts".

Azizah Mohd Ghani, Malaysian Institute of Accountants (MIA), Malaysia

Yes. The principles of the <IR> Framework involving stakeholder relationships and strategic and future orientation affecting multiple capitals indicate that a reporting entity may need to consider the impact of its activities on society and nature.

Under the <IR> Framework, the importance of each capital is set out in the materiality assessment of an organisation and outcomes are reported based on the identified capital. Hence, the emphasis and extent of reporting on the organisation's impact on society and nature would vary according to the strategy and value drivers in that organisation.

However, it may still be useful to clarify in <IR> Framework that impacts on society and nature should be considered when assessing outcomes. This would also be an opportunity to illustrate how <IR> can encompass the disclosure needs of Sustainable Development Goals (SDGs) and the Task Force on Climate-related Financial Disclosures (TCFD).

In addition, the longer-term impacts of outputs and outcomes are often not considered thoroughly by preparers as they are more used to reporting historical information and forward-looking information from a short-term perspective.

Beat Schweizer, PETRANIX, Switzerland

Yes. This could be helpful to bridge the gap to sustainability frameworks like GRI.

Bhavin Bryan Kapadia, Sustainable Derivatives, United States of America

No.

Bill Baue, r3.0, United States of America

Yes. Outcomes = System Value. IIRC discusses System Value in its recent Integrate Thinking report (https://integratedreporting.org/wp-content/uploads/2020/01/Integrated-Thinking-and-Strategy-State-of-Play-Report_2020.pdf), yet none of its 5 bullet points on System Value mention the need to respect the carrying capacities of the capitals. If IIRC's thinking were applied to COVID-19, we would lack discernment around flattening the curve within the (carrying) capacity of the health care system. I hope this makes it *crystal clear* why IIRC MUST add the carrying capacities of the capitals to its framework. In other words, it is woefully insufficient to say something as vague as "outcomes includes broader effects on society and nature." IIRC must place a finer point on its definitional clarity than this. Those "effects on society and nature" must fall within society and nature's carrying capacities.

Black Sun PLC, United Kingdom of Great Britain and Northern Ireland

Yes. We encourage such clarity and repeat the recommendation of evolving the term from “Outcomes” to the more widely understood “Outcomes and Impacts.”

Bob Willard, Sustainability Advantage, Canada

Yes, and the longer-term impacts on society and nature are made evident by the methodology suggested above, that treats them as stakeholders that are impacted by the company.

Bruno Gasparroni, UniCredit Group, Italy

Yes. The framework should clarify better the two types of outcomes that a company produces: direct impacts (which are not outputs) and indirect impacts. Especially in the banking sector, the indirect impacts are numerous and are becoming increasingly strategic (e.g. Climate risk management).

Carlos Brandão, Independent, Brazil

Yes. Otherwise it would harm the very definition of “integrated” reporting.

Carol Adams, Individual/Academic/Durham University Business School, United Kingdom of Great Britain and Northern Ireland

Yes. This was made clear in the Capitals Background Paper for <IR> (Adams CA, AB Coulson, T Emmelkamp, G R, G Klüth, M Nugent (2013) Capitals Background Paper for ISSN 2052-1723) but some organisations have chosen not to focus on it. Incidentally, this paper also made clear that outcomes could involve value destruction. The broader effects on society and nature are very clear in these IIRC publications: - Adams CA (2017). The Sustainable Development Goals, integrated thinking and the integrated report, published by IIRC and ICAS. ISBN 978-1-909883-41-3. - Adams, C A, with Druckman, P B, Picot, R C, (2020) Sustainable Development Goal Disclosure (SDGD) Recommendations, published by ACCA, Chartered Accountants ANZ, ICAS, IFAC, IIRC and WBA. ISBN: 978-1-909883-62-8 [link] - Adams, CA (2020) Sustainable Development Goal Disclosure (SDGD) Recommendations: Feedback on the consultation responses, published by ACCA, IIRC and WBA. ISBN-978-1-898291-33-6. These documents could be referenced in the revised Framework and guidance notes.

Cédric Gélard, CNCC/CSOEC, France

Yes. We agree that the definition of “outcomes” should also include the longer-term impacts of the activities of the business.

Chee Wee Tan, DBS, Singapore

Yes. i. Behavioural: From a long-term perspective, it is in the interest of any company to operate responsibly and obtain the social license to operate. It is equally important of any company to demonstrate a long-term value creating business model and demonstrate with actual figures on how they create financial value contribution.

ii. Disclosure: Agree with the proposition to clarify that the <IR> Framework’s use of ‘outcomes’ includes broader effects on society and nature.

c. Others: There are many impact measurement framework (e.g. Capital coalition, impact management project, etc.) and emerging ones as well. Definitions and methodologies vary. Some banks including ABN and DBS are leading the thinking on impact measurement, specific to the banking sector and their lending portfolio. We will be sharing our pilot study results on the lending to the automobile and palm oil sectors, which can be used as materials to revive the IIRC banking group.

Cornis Van der Lugt, University of Stellenbosch Business School, South Africa

Yes. As stated in the paper, this is already provided for in the Framework. But a clarification would be good to reinforce the position. It my also be noted that value creation can include "shared value creation". The Framework can also clarify that it uses "outcomes" synonymously with "impacts". Surely there is no harm in referring to "impacts" in the Framework. Is avoidance of the term political? Since impact assessment is such a big industry, no harm in stating clearly that this is meant by outcomes yes - mindful that its is complex and that different reporters will pursue impact measurement to different degrees. Note that in the public sector the distinction between outputs and outcomes is standard practice, and a key distinction made in defining indicators in all project documents. For public agency managers this is a no brainer, and a good one to employ in public agency IRs. See also the useful graphic included in the GRI Public Agency Supplement published in the 2000s, which has three circles signifying internal operations, external projects and broader societal aspects.

Constanza Gorleri, Banco Galicia, Argentina

Yes. Although it is often difficult for us to measure the impact on the community and nature in the long term, we always believe that any further clarification and definition is useful for the implementation of the <IR> Framework.

David Herbinet, Mazars, United Kingdom of Great Britain and Northern Ireland

Yes. The framework requires the consideration of the short, medium and long term when preparing an integrated report. It is particularly solid on the short and medium term but requires reinforcement on the longer term. We suggest a similar approach be taken to that proposed by Sir Donald Brydon for improving understanding of the resilience of a company, in the report issued following the independent review into the quality and effectiveness of audit issued in February 2020. This independent review was undertaken at the invitation of the UK government and considered how the audit process and product could be developed to better serve the needs of users and the wider public interest. The guidance provided in the Brydon report on disclosure of longer-term impacts, is the following: - The short-term component which should include the disclosure of material uncertainties that could impact on the company; - The medium term which should include stress testing of various scenarios that could threaten the company's business model; - The long-term component which could provide an opportunity for the board to set out how they are positioning the business strategically to address the risks of, for example climate change. This ties in well with the triple horizon suggested by the IR framework.

Dawn Baggaley, NZ Post, New Zealand

Yes. My comments above regarding Theory of Change would assist with this. I also would like to see more detailed guidance and examples of time periods and types of impact to assist businesses to understand expectations regarding this, and the benefits of doing this.

Deidre Henne, McMaster University, Canada

Yes. Further, it would be useful to force thinking of timelines, such as impact assessment of matters within the next 3 years, 10 years, 20 years. As, the issue of suggesting climate-related impacts are only long term result in short-term reporting and readers need to understand a reporting entities long term assessment impacts short-term decisions and planning of capital spending and current R&D.

Delphine Gibassier, Independent, France

Yes. At least, as it seems that you do not want to use the word impact (why?) - you should clarify what you expect in outcomes versus what people would understand as impact. specially since investors are often now on "impact" (not outcomes). clarification is warranted.

Derick Nkajja, Institute of Certified Public Accountants of Uganda (ICPAU), Uganda

No. We seem to believe that the term 'outcome' as used consistently within the framework seeks to address and cover impacts on society and nature. The definition ably highlights the fact that outcomes are both internal and external. Referring to Sections where the term has been used for example Section 4.19 of the Framework, there is clear demonstration that outcomes particularly external outcomes include social and environmental effects. This particular Section is couched in an inclusive or illustrative manner hence giving a wider leeway for incorporation of outcomes that may have a bearing on the society and nature. Automatically not forgetting the general purpose of the Framework as provided for under Section1C.

Dilma Pimentel, Otimiza Consultoria em Gestão Empresarial, Brazil

Yes.

Dr. Erkin Erimez, ARGE Consulting, Turkey

Yes. IR could help to clarify longer-term impacts on society and nature. IR framework could be aligned with other models. OECD Better Life Methodology focus on well-being of people and society. This methodology includes financial and non-financial indicators. IR Framework and OECD Better Life indicators alignment would create clarification regarding impacts on the society. IR Framework and EFQM model could be aligned to strengthen continuous learning and implementation of improvements in the organization. EFQM model and integrated thinking approach have a lot of common issues and approaches. This alignment could improve the adoption of institutions that implement EFQM methodology. It is already explained by IIRC that IR and SDGs would be aligned. SDG alignment would be another step to connect value creation for the planet. ARGE Consulting has developed a model for municipality integrated reporting. The Model integrates the OECD's Better Life Index approach with the SDGs, and the EFQM's continuous learning model to develop a Municipality Integrated Reporting Model© . The aim of the Model is to improve value creation for all stakeholders and inclusive policy making in local level. The model has been presented in IIRC's web site. https://integratedreporting.org/news/municipality-integrated-reporting-model-the-famous-istanbul-district-kadikoy-adopts-integrated-reporting/ This model could also be adapted by private sector organizations. The same concepts are valid for companies as well.

Dr. Fatma Öğücü Şen, Argüden Governance Academy, Turkey

Yes. The companies are aware of the importance of their impact to the society and nature; however, it is clear that the calculation of the impact is not very easy all the time. Especially, adopting long term vision is very rare and calculated the long-term impact is complicated. Clarifying longer-term impact on society and nature in <IR> Framework could promote the long-term thinking. For that purpose, <IR> Framework may be aligned with other models. There is a good example of the alignment of <IR> Framework with OECD Better Life Methodology, EFQM, and SDGs: Municipality Integrated Reporting Model© Following Argüden Governance Academy's policy recommendation targeting municipalities to prepare integrated reporting, ARGE Consulting has furthered this recommendation and developed "Municipality Integrated Reporting Model©". The Model integrates the OECD's Better Life Index approach with the SDGs, and the EFQM's continuous learning model. The aim of the Model is to improve value creation for all stakeholders and inclusive policy making in local level. The model has been presented in IIRC's web site. https://integratedreporting.org/news/municipality-integrated-reporting-model-the-famous-istanbul-district-kadikoy-adopts-integrated-reporting/ How to combine those methodologies? OECD Better Life Methodology focus on well-being of people and society. This methodology includes financial and non-financial indicators. Framework and OECD Better Life indicators alignment would create clarification regarding impacts on the society. IR Framework and EFQM model could be aligned to strengthen continuous learning and implementation of improvements in the organization. EFQM model and integrated thinking approach have a lot of common issues and approaches. This alignment could improve the adoption of institutions that implement EFQM methodology. It is already explained by IIRC that IR and SDGs would be aligned. SDG alignment would be another step to connect value creation for the planet. This model could also be adapted by private sector organizations. The same concepts are valid for companies as well.

Edouard Gridel, Institut du Capitalisme Responsable, France

Yes. Definitely. IR (in order to keep its originality and specific value) must be as exhaustive as possible on all the categories of outcomes & impacts of a business model: in ST/MT/LT, on Nature/society/stakeholders, in actual/potential horizons, etc...

Elda Almeida, Independent, Argentina

Yes.

Fay Hoosain, Integrated Reporting Committee of South Africa, South Africa

Yes. To reduce misunderstanding, it may be useful to clarify that the Framework's "outcomes" term includes the impacts on the environment and society (as it should when organizations properly consider the six capitals and the consequences of their inputs, activities and outputs).

Fernando Portus, Independent, Argentina

Undecided. It may be difficult to measure the impact on external factors only from the individual corporate perspective.

Fiona Robertson, Independent, United Kingdom of Great Britain and Northern Ireland

Yes.

Ginny Fahs, Independent, Singapore

Undecided.

Graham Terry, Independent, South Africa

Yes.

Guler Aras, Integrated Reporting Turkey Network (ERTA), Turkey

Yes. Our members believe that the Framework should clarify its coverage of longer-term impacts on society and nature, under its existing 'outcomes' definition. They think that provides an opportunity for the preparer to more specifically articulate how longer-term impacts on natural or social & relationship capitals are included within the definition of outcomes. One of our members draw attention to a problem that companies often have a hard time in defining what constitutes 'short' and' long' term. While some take five years as a short term period, others consider it medium-long term. Therefore, they think that it would be great to have a universal understanding of what is short term and long-term. Our member Garanti BBVA added that UNEP FI (United Nations Environment Programme Finance Initiative) has been conducting an initiative called Positive Impact for the past couple of years. The purpose of this working group is to identify and share the positive impacts created by all ESG (Environmental, Social, and Governance) measures and sustainable business models executed by companies. They emphasized that this kind of initiative could be beneficial for companies who do not have a clear idea on how to measure their outcomes and impacts.

Herma van der Laarse, ABN AMRO, Netherlands

Yes.

Innocent Sithole, Training and Advisory Services, Zimbabwe

Yes. We vehemently concur with the proposed change because we think it is in the best interest for users of the <IR> report since they will be able to make assessment of the entity's ability to remain a successful concern in the long-run before substantial business commitments are made. For example lender(s), to decide on whether or not to extend long term line(s) of credit as well as coming up with the appropriate interest rate (as a compensation to the risk to be assumed) the proposed change will go a long way towards meeting the needs of mentioned stakeholder-class We agree to the changes as this gives a entities a sense of direction and they can also be able to assess whether they can be able to continue operating into a foreseeable future considering the long term impacts that can be brought by the integrated reporting.

J Robert Gibson, Hong Kong University of Science and Technology, China

Undecided. As noted in my answer to Proposal A of this topic: The uptake of <IR> in 6 to 7 years since it was launched has been disappointing. The IIRC should change course and focus on a simpler 'core' requirement with optional extras. As part of this 'Outcomes' should either be dropped altogether or made an optional extra.

Janine Guillot, Sustainability Accounting Standards Board, United States of America

Yes. It may be helpful for the IR Framework to more clearly define its use of the terms "short, medium, and long-term", particularly as it looks to further refine definitions and thoughts on value creation, outputs, and outcomes. This is a complex issue across all financial and sustainability reporting frameworks and standards, and consistent use of these terms across all frameworks/standards would contribute to harmonizing the field.

Jayantha Nagendran, Smart Media The Annual Report Company, Sri Lanka

Yes. TP 2.7 Strictly, the answer is 'yes' and 'no'.

Yes, the <IR> Framework should include a discussion on impacts in the context of longer-term value creation. However, it need not be limited to society and nature.

Likewise, although the distinction between an outcome and an impact can be blurred at times, treating them as different measures for reporting is a well-accepted practice. We have discussed that previously in our feedback points TP 2.1 - TP 2.4.

Jean Raar, Independent, Australia

Yes. Refer previous discussion and published article.

Jenny Norris, Independent, United States of America

Yes. If outcomes are properly defined, the broader impact should be apparent, but any clarification is helpful.

Jimmy Jia, Oxford University / Independent, United States of America

Undecided. Although I support, in principle, to clarify longer-term impacts on society and nature, I am unclear how to quantify such statements. A financial balance sheet categorizes short-term and long-term effects with current and non-current categories.

Because there are many timescales involved with society and nature outcomes, perhaps one should begin by defining what the different timescales are as a way to organize possible outcomes. This may clarify how to report short-term and long-term impacts.

Jo Cain, Materiality Counts, Australia

No. We are making progress on broader understanding of the terms value creation and value erosion. To introduce impacts would only add terminology and jargon where we already have too much. Less is more. Explain our existing terminology more effectively with examples. Impacts may make users think about Sustainability Reporting, where the term is more commonly used. IR is more than Sustainability Reporting.

John Dumay, Macquarie University, Australia

Yes. It should force companies to investigate what activities destroy value, especially social and environmental externalities. So part of the business model should show how some resources are depleted in the pursuit of creating financial capital as the primary outcome and output of the business model.

Jona Basha, Accountancy Europe, Belgium

Yes. (15) Accountancy Europe agrees that the definition of "outcomes" should also include the longer-term impacts of the activities of the business. In addition to making a distinction between output and outcomes, we suggest the IIRC also clarifies disclosures of inputs and outputs (i.e. "internal outcomes" may be confused with inputs).

Judy Ryan, Independent, New Zealand

Yes. This is really important as it sets the basis for reporting. It is easy to discount those impacts that are not immediately felt by the company.

Julian Costabile, SMS Latinoamerica, Argentina

Yes. As far as possible, longer-term impacts should be addressed, I think this is part of the essence of IR and Integrated thinking. It is also true that sometimes it is not an easy challenge and many long term aspects can´t be evaluated from the present, or preparers can lack part of the information they need to do it, but in any case they should do their best effort in order to achieve this purpose.

Jun Honda, WICI Japan, Japan

Yes, but again within the context of "principles-based."

Junyoung Lee, KPC, Republic of Korea

Yes.

Kavita Jadeja, EY, India

No. This should be separate

Le Quang TRAN VAN, Afep, France

Yes. Please refer to our answer to question 3. Guidance and best-practice examples are certainly useful in this respect as impacts are still seen by some as impacts on the company only and not on society and nature. Clarification of the notion of outcome being understood as longer-term impact on society and nature could be useful, especially for preparers outside the European Union.

Leonie Meyer, Independent, South Africa

Yes. Even the best business model disclosure is currently short-term focused and does not truly demonstrate visualised long-term value creation/depletion.

Lydia Tsen, Chartered Accountants Australia and New Zealand / CPA Australia (joint submission), International

Yes, this clarification would be helpful, particularly to help report preparers distinguish clearly between outputs and outcomes.

Mardi McBrien, Climate Disclosure Standards Board (CDSB), United Kingdom of Great Britain and Northern Ireland

Yes, and CDSB and other partners are developing further Application Guidance related to disclosures of different aspects of natural capital over the next three years.

Maria Farfan, Pontificia Universidad Javeriana, Colombia

Yes. I think it is one of the most important things to do. Some of the critics to the integrated reports, are in the sence that they prioritice financial interest over the non financial, and in that sence don't support sustainability. Even some organizations believe that users can't see clearly the impacts in society or environment, an for that reason, they continue using tools like GRI even if they stared working the IR framework. So it is importan that organizations and users notice that IR contributes to sustainability even if it is not the main focus, and that value creation implies value for others, diferent than shareholders.

Maria Towes, Durham University, United Kingdom of Great Britain and Northern Ireland

Yes. This will be advantageous to the organisation as well as supporting a more accurate assessment of the company within the report

Maria Angelica Costa, Independent, Brazil

Yes. Many Reports are focus on short-term. I think that is why they don't inform the outcomes over society and nature in the coming periods.

Maria Eugenia Bellazzi, Sustenia, Argentina

Yes. Although it is often difficult for companies to measure the impact on the community and nature in the long term, we always believe that any further clarification and definition is useful for the implementation of the <IR> Framework.

Marje Russ, Independent, New Zealand

Yes. It would in the first instance, be most helpful for the definition to use the word "impacts" rather than the word "consequences". The definition would be more helpful if it included more explanation of the nature and scale of impacts (e.g. short or long-term, reversible or irreversible, pervasive or restricted/contained, creating or triggering a tipping point etc.).

Mark McElroy, Center for Sustainable Organizations, United States of America

Yes, but as earlier explained, an organization's impacts on society and human well-being is largely indirect, not direct, if what we're talking about is impacts on vital capitals. Why? Because capitals are resources that people independently rely on and use for their well-being (or fail to even if they exist). The most an organization can take 'credit' or 'blame' for, therefore, is its impacts on capital resources, assuming we're not talking about things like direct criminal assault. This, incidentally, points to a distinction we can make between capital outcomes and stakeholder well-being outcomes, both of which are downstream from outputs. If I make a product (output) in a way that unduly affects the quality or sufficiency of natural resources (natural capitals), the impacts on the resources involved is a type of outcome. If the effect on resources then further results in a setback in human well-being because of the damage I've done to the resources (which they rely on), that's a separate outcome, a second-order one if you like. Depending on the causal theory or model in play here, the degree of direct responsibility for the well-being outcome in such cases could range from very low to very high. But in no case should we confuse or conflate the two. I'll leave it to you to sort that out, but sort it out you must!

Massimo Romano, Independent, Italy

Yes. Even if impact in the short-medium term can be differently reported in respect to impact in the long term. It's likely that the latter is provided in a more qualitative way, given the difficulties in making assumptions in a volatile and uncertain context.

Mervyn King, Senior Counsel and former Judge of the Supreme Court of South Africa, Chair of the African Integrated Reporting Council, Chair of the Integrated Reporting Committee of South Africa, Chair Emeritus of the IIRC, Chair Emeritus of GRI - Responding in an independent capacity, South Africa

No. The longer term impacts on society and nature led to outcomes as defined in the Framework. The long term impacts on society and the environment should be done in a clear, concise and understandable manner. Here too the language must be such that it is not an impediment to the assurance provider. How the company makes its money has an impact on the six capitals or generally on the economy, society and the environment but whether they are described as impacts or affects, there are outcomes flowing from these impacts or affects. There is nothing further to be provided in the Framework in regard to longer term impacts on society and the environment because included in the six capitals is reference to the environment and society in the natural assets capital (the environment) and social capital (which is society at large.)

Michel Washer, Solvay, Belgium

Yes. Reference to UN SDG

Miguel Oyarbide, Australia Post, Australia

Yes.

Mike Tisdall, Insight Creative, New Zealand

Yes. Careful. If there is already confusion between Outputs and Outcomes, there's likely to be greater confusion between Impacts and Outcomes. I'm already conflating the two. What exactly is the difference?

Nandita Mishra, Amity University, India

Yes. According to me adding this will improve the quality if <IR> worldwide

Nandkumar Vadakepatth, DBV GL, India

Yes; however difference between outcomes and impacts needs to be clearly brought out. Further what is long term needs to be explained.

Nathalie Voisine, Capitalcom, France

Yes. cf previous answer Information disclosed in the BM section needs to be connected to other content elements. LT perspective should be linked to the purpose and how the strategy and strategic objectives will guide the company in achieving its goal. then, outcomes can be presented with KPIs reflecting a (LT) trend.

Nick Landrot, Consultland, France

Yes.

Nick Ridehalgh, Business Reporting Leaders Forum - Executive, Australia

Yes. The <IR> Framework should clarify its coverage of longer-term impacts on society and nature under its existing "outcomes" definition. This provides an opportunity for the preparer to more specifically articulate how longer-term impacts on natural or social & relationship capitals are included within the definition of outcomes. The definition of 'outcomes' could be enhanced by explaining that the consequences for the capitals could be experienced to varying extent over the short, medium and longer term We would not use the term "impact", as we are aware of a growing trend, especially in the Public sector for the preparation of 'impact reports' which are not integrated reports, as there appears to be little focus on the effectiveness of resource allocation to deliver the required impact.

Nick Topazio, Association of International Certified Professional Accountants, United Kingdom of Great Britain and Northern Ireland

Yes. Clarification seems to be needed for some. Again the clarification should be concise.

Nowmitta Jahanzaib, Institute of Cost and management Accountants of Pakistan, Pakistan

Yes. by emphasizing on outcomes in the IR Report , the report should mention the longer term effects of our project (ICMA Pakistan) on society and nature and these things do have their existance which were not taking into account in earlier years but now the value of social and natural capital very much exists and must be emphasized as well for adherance to an accurate and bias free reporting with due compliance to the IR framework.

Paul Hurks, NBA, Netherlands

Yes. 14. With reference to our other responses on this Topic Paper NBA supports guidance covering the terms impact and long term value creation. 15. In the search for proper and workable definitions NBA suggests to consider the concept of the Theory of Change that is used by e.g. World Bank; the verbs in the following definitions may give the desired direction: • IF we undertake the activities AND the assumptions hold true, THEN we will create the outputs (SHORT TERM) • IF we deliver the outputs AND the assumptions hold true, THEN we will achieve the outcomes (MEDIUM TERM) • IF we achieve the outcomes AND the assumptions hold true, THEN we will contribute to the impact (LONG TERM)

Paul Thompson, European Federation of Accountants and Auditors for SMEs, International

Yes.

Phil Hughes, Independent, Australia

Yes.

Prof Barry Cooper, Deakin Business School, Australia

Yes, the <IR> Framework should clarify its coverage of longer-term impacts on society and nature under its existing "outcomes" definition. At present, longer-term impacts are only referred to under paragraph 4.58 which explains that time frames may differ, and specifically under the second bullet: • The nature of outcomes (e.g., some issues affecting natural or social and relationship capitals can be very long term in nature). This presents an opportunity to more specifically articulate to users that longer-term impacts on natural or social & relationship capitals are included within the definition of outcomes. Currently, outcomes are defined in the <IR> Framework as "the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs". This definition could be reworded to incorporate time frames with the addition of bold font as follows: The internal and external consequences (positive and negative) for the capitals, including over the longer term, as a result of an organization's business activities and outputs. We further believe that current levels of debate on the term "impact" and its definition make it premature for the IIRC to consider incorporating the term specifically into the Framework during the current revision."

Redefining Value, World Business Council for Sustainable Development, Switzerland

Yes. It is important to clarify that outcomes should include longer-term impacts on society and nature – these should be quantified or supported by other suitable evidence. What is reported will depend on the user, but it should be clear that companies must report on the fundamental resource relationships and capitals-state conditions that their business models depend upon. It would therefore be useful to use "where material to the business model" based on what value is being created: this should be split out to (a) assets recognized and (b) unrecognized (like many intangibles); and (c) the commons. This will help keep the disclosures targeted and meaningful.

Richard Chambers, The Institute of Internal Auditors, United States of America

Yes. Impacts on society and nature does not cover the full range of the six capitals, and so it is not clear why there is this limitation. However, the bigger issue is the difficulty of reporting on outcomes of non-financial capitals in a meaningful way.

Richard Martin, ACCA, International

Yes. The Framework should continue to stress that value creation relates to both the organisation and its wider stakeholders including society. This is however an area where the issue of evidence noted above may be difficult to produce leading potentially to create wide variability and likely inability to reliably assure such claims.

Ron Gruijters, Eumedion, Netherlands

Yes. Eumedion believes that, in general, companies' reporting on value creation to a lesser extent concretely and specifically covers medium to long term time periods. This is for example the case with identified material risks and opportunities. 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 also look at longer term risks, beyond the next five years.

Sasol Integrated Reporting Team, Sasol, South Africa

Yes. Although longer-term impact can be included it is difficult to project forward-looking impacts and it is not always known.

Sergey Kuzubov, Centre for Intellectual Capital, Higher School of Economics, Russian Federation

Undecided.

Sergio Cravero, PwC, Argentina

Yes.

Shimellis Assegahegne, Independent, Ethiopia

Undecided.

Simon Clow, Koan Group, Netherlands

Yes – this should be included under the various capitals (natural, human, social & relationship etc.) Would suggest providing guidance on timeframes – that reporters should include information on short, medium and long-term impacts (these can then be linked more easily to discussion of risks and opportunities and future availability of resources).

Stathis Gould, International Federation of Accountants (IFAC), International

Yes. The Framework needs to be seen to incorporate all aspects of value creation representing factors that materially effect future cash flows and therefore market and intrinsic value. It should also incorporate positive and negative impacts on society and the environment that are not expected to impact financial performance in the short term but are relevant to a broader corporate purpose, reputation and license to operate.

This would ensure that IR can provide a Framework for investors and capital providers for financially material information covering financial reporting, drivers of value creation, and wider impacts.

Stefan Hanne, Kirchhoff Consult AG, Germany

Yes.

Tenglum Low, Owliswise Sdn Bhd, Malaysia

Yes.

Thomas Scheiwiller, IMPACTS, Switzerland

Yes.

Tjeerd Krumpelman, ABN AMRO, Netherlands

Yes. Could potentially be a big improvement to really push for transparancy on outcomes as impacts on society and nature, perhaps other stakeholders could also be included.

Tokiko Fujiwara-Achren, Independent, Finland

Yes. Try to clarify a process/direction on the way.

Tokiko Yokoi, Independent, Japan

Yes. It might depend on its long term business plans, but it would be useful.

Uantchern Loh, Black Sun, Singapore

Yes.

Usha Ganga, HAN University of applied sciences, Netherlands

No. I believe that this coverage is very clear within the <IR> Framework. I also fear that this will put an unfair emphasis on longer-term impacts while it should be a balance on both short, middle and long-term impacts.

Veronica Poole, Deloitte, United Kingdom of Great Britain and Northern Ireland

Yes. We agree that the <IR> Framework should clarify its coverage of longer-term impacts. However, in doing this, the IIRC should also take account of the fact that longer-term issues may require companies to take shorter-term strategic actions. One example of this is that companies and governments are now setting targets to be carbon neutral with a longer-term horizon, but this is actually leading to the need for early changes to strategy and business model in the short term. This inter-relationship should be captured in the IIRC's thinking.

We also believe that the IIRC should consider adding to its concepts the inter-relationship between dependencies and impacts in the value creation process. Reporting has traditionally been based on matters that affect financial and operational performance (corporate report) and matters that impact society and the environment (sustainability report). However, over longer time horizons, impacts can become dependencies in relation to value creation – good examples being over-fishing depleting stocks, pollution in a river affecting availability of clean water necessary to a manufacturing process, or reputation damage arising from impacts leading to loss of social license to operate or poor customer and employee retention. Because of these interactions, the IIRC should emphasise further the connection between impacts and financial performance over time.

This could be achieved by clarification of paragraphs 3.23 – 3.25 to include more consideration of how external impacts can affect value creation prospects over longer time horizons. It might also consider how longer-term issues can translate into risks to value created through other capitals – for example, a company not addressing its GHG emissions over time could lead to loss of reputation, resulting in loss of revenue or higher employee turnover, and higher costs through additional taxes and/or regulatory requirements to reduce emissions rapidly.

Warren Koen, Export Credit Insurance Corporation, South Africa

Yes.

Wesley Boone, ABN AMRO, Netherlands

Undecided. It would be a good step forward to try and incorporate / emphasize more on impact. However, as the topic paper states, there are different definitions of impact. At ABN we have included our impact reporting into the Integrated Review and Value Creation Model, which could be an example on how to include impact next to input, output and outcome.

Integrated reporting enhances the way organizations think, plan and report.