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4th July 2013

Response to IIRC's Consultation Draft of the International <IR> Framework.

1. Should any additional principles-based requirements be added or should any be eliminated or changed?

There are a number of references to creating value, but the framework lacks clear acknowledgement that organisations can deplete value, particularly with respect to natural capital. There needs to be more explicit emphasis on the need to disclose material negative impacts.

2. Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

Para 1.18 is confusing in referring to both compulsory financial statements and voluntary sustainability reports with the words 'may provide'. A number of organisations are under the impression that they no longer need to provide sustainability reports to stakeholders. There needs to be stronger encouragement to organisations to provide sustainability disclosures to key stakeholders other than providers of capital. Recommend replacing:

"Organizations may provide additional reports and communications (e.g., financial statements and sustainability reports) for compliance purposes or to satisfy the particular information needs of a range of stakeholders."

with something which acknowledges the importance of sustainability disclosures, the information needs of stakeholders other than providers of capital and which distinguishes between compulsory and voluntary disclosures. For example:

"Organisations provide additional reports and communications to satisfy stakeholder needs (e.g. sustainability reports) and for compliance purposes (e.g. financial statements)."

3. If the IIRC were to create an online database of authoritative sources of indicators or measurement methods developed by established reporting standard setters and others, which references should be included?

Whilst there would be some value in this exercise, I would not regard it as the key priority for the IIRC.

The Global Reporting Initiative has pulled together indicators for social and relationship, natural capital and human capital from other sources, but has not acknowledged all of the sources from which it has drawn.

4. Please provide any other comments you have about Chapter 1.

Organisations need guidelines and frameworks for developing approaches to enhance 'integrated thinking' in order for them to do integrated reporting.

Many organisations have an inadequate understanding of the interdependencies between the capitals and of the relevance of the capitals to their business model. The IIRC could support work which promotes this.

With regard to stakeholder responsiveness, there needs to be more explicit acknowledgement that the materiality criteria for integrated reporting will not ensure that all material issues for key stakeholders are disclosed. It could state that additional disclosures will need to be made either within the integrated report itself or in an additional report such as a sustainability report or special purpose report or online.

5. Do you agree with this approach to the capitals?

Having been a member of the 'Capitals Technical Collaboration Team' my understanding was not that an organisation was to use the capitals 'as a benchmark when preparing an integrated report'. It is not clear what this would mean.

A statement of the links between the capitals concept and the notions of sustainability in sustainability reporting would be helpful.

6. Please provide any other comments you have about section 2B.

I agree with the categories and descriptions of the capitals. In particular, I think it is important to separately identify natural capital, human capital and social and relationship capital. Businesses need to be encouraged to think more about these capitals – burying them under another broad heading will not achieve this. Whilst some of the terms may not be the most popular (e.g. some do not like the term 'human capital') they have the advantage of being widely used and understood.

The reference to the capitals 'as a benchmark' (see, for example, paragraph 2:19) may give the impression that they are about data and KPIs. This language may detract from gaining acceptance of the capitals as a component of strategy and the business model.

7. Do you agree with the definition of the business model in paragraph 2.26?

Broadly yes. It is widely understood. But I would like to see more explicit acknowledgement that businesses deplete value as well as create it, particularly with respect to natural capital. Lack of explicit acknowledgement will encourage lack of accountability for capital depletion.

8. Do you agree with the definition of outcomes in paragraphs 2.35-2.36?

Yes. It is important to think about the outcomes for the each capital separately as well as overall value creation through the trade-offs made between capitals.

9. Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (Section 4E).

No further comments.

10. Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.

No further comments.

11. Do you agree with the approach to materiality? If not, how would you change it?

There needs to be stronger acknowledgement that this approach may exclude reporting on issues material to other key stakeholder groups. This is particularly the case with social and relationship, environmental issues and issues relevant to workers. Such issues may be disclosed in a separate report or in the 'integrated report' along with the material issues for providers of capital. In some cases it is important for providers of capital to be informed of material issues to other stakeholder groups – even if they themselves have not acknowledged the issue. Examples include:

- The pressing global need to reduce carbon emissions.
- The gender pay gap.

These are material concerns to many corporate stakeholders but are not sufficiently acknowledged by many providers of finance.

12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

Para 5:4 refers to relevant matters as 'those that have a past, present or potential future effect on the organization's ability to create value over time.' These needs rewording as too many providers of capital and corporate executives do not see a link between depletion of natural capital and an organisation's ability to create value, reputational risk and future liabilities.

13. How should the reliability of an integrated report be demonstrated?

Stakeholder engagement (which could be given more prominence in the framework) and external assurance are critical. The reliability and completeness of materiality determination is dependent on the robustness of the processes, including the engagement of a broad range of stakeholders (who could impact on risk). The reliability and credibility of integrated reports will be enhanced by external assurance of these processes.

14. Please provide any other comments you have about Section 3E.

No further comments.

15. Please provide any other comments you have about Chapter 3 that are not already addressed by your responses above.

No further comments.

16. Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).

No further comments.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report?

A requirement that those charged with governance include a statement acknowledging their responsibility for an integrated report would enhance the credibility of the report. A reader of an integrated report might in any case assume that the content has been approved by the Board given the centrality of strategy and risk identification to an integrated report.

18. Please provide any other comments you have about involvement of those charged with governance (Section 5D).

No further comments.

19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?

If an integrated report is to be considered reliable and credible, the process of determining material issues will need to be externally assured.

20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.

No further comments.

21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).

No further comments.

22. Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?

Overall, I think <IR> is a big step forward because, amongst other things:

- It stands out from other reporting frameworks in its emphasis on long-term thinking. Short-term thinking has contributed to significant negative environmental impacts which have damaged business reputations. There are ample examples of companies plundering the environment and abusing human rights to make a quick buck.
- The requirement to provide information on an organisation's strategy will encourage senior executives and boards to think long term.
- Integrated reporting promotes an understanding of the trade-offs that are made across the six capitals in the process of creating value for providers of finance. This will improve decision making.
- The concept of creating value by working with a broad range of stakeholders such as workers, customers, local communities and regulators encourages senior executives and Boards to think about

performance more broadly than the financial bottom line so that value creation is long term. Value creation goes beyond financial returns to providers of capital and considers the impact on the other capitals.

The guidelines may be refined once we have more examples and some consensus about what is best practice. At this stage some innovation is important.

23. If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?

i) How to move away from silo thinking towards integrated thinking, what it means and the steps that an organisation needs to go through to develop an integrated report.

ii) The links between integrated reporting, sustainability reporting, stakeholder engagement and risk.

iii) How to report on the relevance of the six capitals to the business model (though time is needed to allow for some innovation by reporters).

24. Please provide any other comments not already addressed by your responses to Questions 1-23.

No further comments.

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