

Business Reporting Leaders Forum (BRLF)

Summary of BRLF comments on the IIRC's Consultation Draft on the Integrated Reporting Framework

Sydney and Melbourne events - May 2013

The BRLF discussed the IIRC Consultation Draft on the Integrated Reporting Framework released in April 2013. There was wide support for the CD and the work of the IIRC, but the BRLF group raised the following points for consideration by the IIRC working group when preparing the v1.0 Framework due for release in December 2013.

Positioning of the Integrated Report

- More clarity required over why the integrated report focused on providers of financial capital; and especially the link that Mervyn articulated around 'global investors' (pension schemes) and the fact that long term value creation results in entities having to address societal and environmental needs anyway (i.e. the interests of many other stakeholders besides providers of financial capital.)
- The relationship between Integrated Reporting and Sustainability Reporting needs to be made clearer - that Integrated Reporting is not designed to replace Sustainability reporting or the financial statements, rather be an evolution of corporate reporting. Need clearer language as to how the integrated report fits into the reporting suite.
- Confirm that this is not another report, but an evolution of the current reporting suite. There is a need for other reporting to be reduced/ reduce reporting burden.
- The group tended to be happy when they were told why external references were not included in the draft framework, however initially they were expecting to see it linked to GRI-G4 [*Could include a note in the introduction of the framework as to why external references have been excluded (if this is where the framework ends up)*].
- Suggestion that linking to GRI could lend further creditability to the IIRC Framework by leveraging off an existing established network.
- To drive <IR> forward, efforts should initially be focused on Directors and executives, rather than regulators, as with regulators there is a danger of it being a set of rules to follow which would reduce innovation which we are trying to keep.
- There were discussions about the <R> framework being made eligible for SME, NFP and public sector entities as well as listed companies – may need more explanation that 'integrated thinking' is the real change agenda which is relevant for any organisation and so the <IR> framework as an output of integrated thinking is appropriate for all entities.
- Potential need for some transitional arrangements to assist entities work through opportunities and ideas for better reporting – some of these potential arrangements will need to come from regulators. But need to retain high level strategic position on reporting and not get stuck into minutiae when developing an integrated report.

Capitals

- Some people believe <IR> is adding new jargon – prefer resources to capitals as key input.
- Flexibility of the Capitals; there was concern over whether information on labour practices and employee relationships should sit in Human Capital or Social and Relationship Capital. [*This indicates that people are still trying to work out the best way to design the report and don't quite grasp the concepts yet.*]
- There seems to still be a lack of understanding of how the capitals should be reported on – i.e., how they interact and work together to help the Company achieve its strategy through adoption of its business model, rather than as isolated sections in a report.
- Mapping of GRI G4 to the Capitals; there was confusion over the connection between G4 and <IR>. Some thought that the IIRC should show how G4 is mapped to each of the capitals; others disagreed saying it was the place of the company to do the mapping as part of their internal processes in determining their own value creation story.
- Need to make clear that measurement of the capitals will look different for each capital, i.e., some are monetised where that is the most efficient way to describe them (financial/manufactured) but others should be described using narrative/qualitative or quantitative factors.
- Also made clear that it is ok for the way a capital is measured to change over time as more information becomes available or better ways to measure are determined.
- Point was raised about Technology potentially being its own capital (beyond Intellectual Capital) as a driver of sustainable value?

Director liability, forward looking statements and commercial disadvantage

- Need further clarity about what is, and what is not forward looking information. Strategy is a statement of fact; material changes are then picked up as continuous disclosure.
- The call for improved director liability protection cannot drive the Board's decision to withhold reporting a specific matter which could be material to the shareholders – Directors cannot make decisions based on self interest
- Explain rare use of 'commercial disadvantage' exemption due to speed of technology and social media – there are very few commercial secrets – social media and technology are driving radical transparency.

Investor perspective

- The investors' perspective was that when reviewing EGS information they like narrative. They look at the risks and controls the company has in place in making their assessments.

Leadership

- More focus is needed on requirement for CEO to drive this change program around integrated thinking within the organisation, and alignment of the organisation to strategy and long term value creation – the integrated report is purely an outcome.

Assurance

- Further detail required on need for assurance over the <IR>; and what that assurance should be over (i.e. process; narrative, metrics etc.), and who should establish the level of assurance. Good discussion around role of directors in determining extent of assurance required.

What next?

These BRLF meetings provided the discussion Forum for attendees to understand better the background to and content of the IIRC's Consultation Draft of the Integrated Reporting Framework. The points recorded in this paper can be used as an aide memoire for those attendees, and their organisations, as they **draft a response to the IIRC on the draft framework before 16 July 2013**.

The IIRC need to understand those aspects of the framework you agree with, those you do not (and why) as well as details on any areas that you believe requires more clarification in version 1 when it is released in December 2013. There is a response template on the IIRC website at www.theiirc.org/consultationdraft2013.

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4 June 2013