



International Integrated Reporting Council  
IIRC

1 August 2013

Dear Sir or Madam,

**Re: Consultation Draft of the International Integrated Reporting (IR) Framework**

BUSINESSEUROPE noted with interest your Draft Framework in the area of Integrated Reporting.

We support integrated thinking as it makes business sense and is already applied by the management of many companies. It can facilitate a more efficient and cohesive approach to corporate reporting.

The approach set out in the Draft Framework may work well for some companies, whilst others may prefer to communicate with their stakeholders through other means, such as via separate publications, communicating directly with consumers, meetings with investors, or organising focus groups with NGOs, policy-makers and suppliers to discuss social and environmental issues related to their business.

Therefore we believe that a Framework should focus on principles, as it is important for companies to have the flexibility to present the information they feel is necessary in the most appropriate and practical manner for users. In our view, such a Framework should support development of improved communication on companies' goals, strategies, business models, corporate social responsibilities and performance based on their size, the specific nature of their core strategy and the challenges - and to enhance the accountability and stewardship with respect to the broad base of capitals they are facing - whilst maintaining flexibility.

Although the Consultation Draft does claim to be principle-based, we feel that this is not made sufficiently clear and that in some areas it is prescriptive and often complex and in others it remains too vague or applies an overly simplified thinking to the real world economic phenomena, particularly in connection with the business model and value creation.

It is also unclear who an Integrated Report is being prepared for and therefore as to the information benefits that those stakeholders would be able to draw from the reporting. On the one hand, the Draft Framework states that the report should be prepared



primarily for providers of financial capital whilst, on the other hand, the approach to the capitals clearly implies that an integrated report should incorporate a stakeholder approach, i.e. above all should aim to satisfy a wider target group than just investors. In practice, different kinds of information for different users will be suitable for specific situations. It should be therefore up to companies themselves to identify their primary audience to communicate with in an optimal way.

The Draft Framework does not take account of the regulatory environment. Major regulatory changes at national, EU and international level are being made to reporting and it is unclear how Integrated Reporting will fit in with these changes. Further clarification is needed as to how companies would apply Integrated Reporting while at the same time complying with such regulations.

And, although the Consultation Draft mentions the interaction with other reports and communications, it does seem to ignore that companies already provide a lot of financial information based on, for example, IFRS and non-financial information based on national and international frameworks such as GRI, OECD Guidelines, UN Global Compact or UN Guiding Principles on Business and Human Rights.

In the IIRC discussion paper from 2011 it was mentioned that *"It is not enough to keep on adding more information – the connections need to be made clear and the clutter needs to be removed. Corporate reports are already long and, in many cases, they are getting longer. Length and excessive detail can obscure critical information rather than aid understanding"*.

BUSINESSEUROPE envisaged that the IIRC would try to resolve this by finding a way to replace the current situation with a cohesive reporting model so strong that it would lead to standard setters and legislators taking a holistic look and reducing some of their own requirements in order to achieve the overarching goal of having a consolidated, but shorter and more focused reporting.

We fail to see this in the Consultation Draft. Instead of bringing the existing reporting together and reducing the overall excessive amount of information, the Consultation Draft is suggesting introducing yet another separate report. This stand-alone integrated report is to be prepared in addition to all other reports and communications. This will not only create additional administrative burdens for business but will also add to the existing information overload that prevents stakeholders from seeing the wood for the trees.

BUSINESSEUROPE believes that proposals for a Framework on Integrated Reporting should provide recommendations on how to streamline and reduce existing regulations for both financial and non-financial information whilst maintaining companies' flexibility as set out above. As we are concerned that companies are faced with an increasing number of uncoordinated reporting obligations, we consider that the IIRC should consider this in order to possibly play a meaningful role in this area.

This would require the IIRC to suggest deletions in the various regulations – for example in IFRS, GRI, Country-by-country reporting and corporate governance reporting – as the IIRC will only add significant value if they were to adopt truly



integrated thinking, including for instance looking at materiality, based on the objective that the report is primarily for providers of financial capital in order to support their allocation assessments. We regret to note that currently the IIRC has chosen only to expand reporting further adding to the increasing number of uncoordinated activities which are currently taking place in this area. It is also unclear whether all the disclosure proposals within the Draft Framework actually meet this stated objective and why the IIRC believes that it is the sole authority that can or should provide guidance on Integrated Reporting, as claimed in the Draft Framework.

Several companies are already in the pilot phase of preparing an integrated report but these are generally by way of adaption of their existing annual reports rather than as a separate document. Although we are not sure of the extent to which these reports are already in compliance with the proposed Framework, we recommend that these practices are taken into account. In this sense, examples of such practices of Integrated Reporting would be a useful reference.

Also, recognizing that Integrated Reporting still is in its infancy and will evolve over time, we believe that flexibility in, and timely review of, the content of a Framework overall is desirable to facilitate companies' communication.

Finally, we are opposed to the IIRC providing any guidance regarding the provision of forward-looking statements, technology to be used, and especially assurance of the non-financial information. The provision of such guidance should not be the role of the IIRC and, even though verification by an independent third party can be considered as an additional investment in a company's transparency, we are not in favour of mandatory verification outside the financial statements. It should be for the company itself to consider the pros and cons of third party verification. Also, third party verification does not necessarily have to be done by a certified auditor. In this respect, a requirement to provide a statement of compliance is undesirable.

We remain at your disposal should you wish to discuss this subject further.

Yours sincerely,

Jérôme P. Chauvin  
Director  
Legal Affairs Department  
Internal Market Department