



Professor Mervyn E. King
Chairman
International Integrated Reporting Council
(IIRC)

E-mail: prototype@theiirc.org

14 March 2013

Ref.: CRPG/AKI/TSI/IDS

Dear Professor King,

Re: FEE high level feedback to the IIRC Prototype of the International <IR> Framework

FEE (the Federation of European Accountants) welcomes the opportunity to provide high level feedback further to the release of the Prototype of the International Integrated Reporting <IR> Framework (the Prototype Framework) by the IIRC on 26 November 2012 and is also pleased to outline below some of its key messages regarding Integrated Reporting.

Overall support

FEE expresses its strong encouragement to the IIRC for advancing its International Integrated Reporting <IR> Framework (the Framework) and keeping stakeholders informed of any progress as the Framework is developed.

FEE already provided its views in response to the IIRC Discussion Paper "*Towards Integrated Reporting – Communicating Value in the 21st Century*". We support the debate on the development of <IR> through high level roundtables and we also published two factsheets in relation to Integrated Reporting in 2011 and 2012.¹

FEE looks forward to contributing to the forthcoming Consultation Draft of the Framework due to be published by the IIRC in April 2013.

Strategic focus

In our view, the IIRC rightly identifies the company strategy as a fundamental element of <IR> that relates how the company's capabilities and resources contribute to its ability to achieve strategic business goals, thereby creating value. Reporting on the company's "unique value creation story" requires, first and foremost, a comprehensive understanding of the strategy being followed, the risks the company is facing and the opportunities it is pursuing. Therefore we strongly support the proposal for <IR> to require preparers to provide insight into the company's strategy and its relation to the value creation process.

¹ Available on the FEE website at:

http://www.fee.be/images/publications/integrated_reporting/IIRC_111214_DP_Integrated_Reporting1612201121189.pdf,

http://www.fee.be/images/publications/integrated_reporting/Integrated_Reporting_update_January_20123112012501334.pdf,

http://www.fee.be/images/publications/sustainability/Integrated_Reporting_January_20113112011421157.pdf.

We also welcome the IIRC's approach to express the Content Elements in the form of questions that should be answered to help management decide what information is relevant to disclose in the integrated report (*as proposed in paragraph 1.10 of the Prototype Framework*).

Intended users for <IR>

The Prototype Framework proposes that the communications that result from <IR> will likely be of benefit to a range of stakeholders. We acknowledge that a choice needs to be made regarding who the main intended users of <IR> would be in order to make the model operational. Therefore, we welcome the approach that providers of financial capital with a long term view are regarded as the main intended users for Integrated Reporting. These providers of financial capital are particularly likely to benefit from <IR> (*as proposed in paragraph 1.4 of the Prototype Framework*).

However, we are not fully convinced that the arguments proposed by the IIRC in that respect are sufficiently robust. In the Prototype Framework, the IIRC appears to include an assertion that by focusing on the interests of those providers of financial capital who take a long term view of an organisation's performance and outcomes, an Integrated Report is also likely to meet the interests of other stakeholders. In our view, this particular point regarding how the IIRC has concluded on the main intended users of integrated reports should be further reflected upon and elaborated. Furthermore, we question whether the interests of providers of financial capital who take a long term view are likely to be always aligned with the "public interest" (*as suggested in paragraph 1.4 of the Prototype Framework*).

In addition, whilst we do agree directionally with the focus on capital providers with a longer term view, the Framework would need to clearly articulate the differences between capital providers taking a long term view compared to those who are taking a short term view. In general, the question of whether there is a difference in terms of information needs between short term and long term investors should be further looked at and sufficiently explained in the Framework.

Reporting boundary of <IR>

The IIRC should also provide more clarity about how far along the value chain preparers should go to disclose relevant information, where the boundaries of <IR> are, as well as provide clarity on the manner in which the information should be presented. In other words, how far can preparers reasonably go in reporting on issues that are not under their direct control?

A Principles-based approach

We welcome a principles-based approach for a Framework on <IR> (*as proposed in paragraph 1.12 of the Prototype Framework*).

We note that a dilemma arises in the case of a principles-based Framework (with no detailed rules) in particular when, at the same time, there is a need for "comparability and consistency" as one of the Guiding Principles of the Framework (*as proposed in paragraph 1.9 of the Prototype Framework*). However, the shortcomings of over-standardisation (having too many rules) and under-standardisation should be avoided. Therefore, further guidance will be necessary.

In the meantime, we acknowledge that the IIRC is moving towards a structure which would require that any communications prepared in accordance with the Framework comply with some minimum requirements. We support this approach and encourage the IIRC to continue with its effort to identify these minimum requirements and further develop the Framework.

Assurance

We fully appreciate that the issuance of the Prototype Framework is first and foremost about providing a framework to companies to enable them to perform Integrated Reporting and that it is not about assurance.

We are nonetheless appreciative that reference is made to the provision of assurance in the Prototype Framework already. We believe that moving forward this may contribute to increasing the credibility of <IR>. We recommend that, at a later stage, the IIRC analyse the demand of investors and others for assurance on Integrated Reporting.

From our point of view, the accountancy profession is capable and ready to provide assurance on Integrated Reporting. We are also prepared to contribute to the development of the necessary standards for providing assurance on Integrated Reporting.

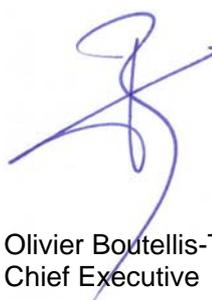
Determining the scope and the elements of a quality framework for assurance would, in our view, fall under the remit of standard setters for assurance, in particular under the responsibility of the IAASB. Depending on the type of information included in Integrated Reporting, for instance whether it is quantitative, qualitative, forward looking, etc., the suitable level of assurance which should or can be provided, is bound to vary. What is important in the development phase of an Integrated Reporting Framework is to make sure that the underlying information is 'assurable', the main element of this being that management is able to provide sufficient evidence to support the information included in the Integrated Report. In this respect, the experience from South Africa, where Integrated Reporting is mandated as far as we understand, and where assurance already appears to be given on it, will be a useful point of reference.

For further information on this letter, please contact Olivier Boutellis-Taft at the FEE Secretariat.

Yours sincerely,



André Killesse
President



Olivier Boutellis-Taft
Chief Executive