São Paulo, August 19, 2020

Contributions of the Brazilian Institute of Corporate Governance to the review of the Integrated Reporting structure, sent through online research to the International Integrated Reporting Council.

PARTE I – Q1 a Q5

1. **Do the adjustments to paragraph 1.20 simplify the statement of responsibility in an effective way?**

Answer: YES

Explain the rationale: We agree that paragraph 1.20 has been simplified by removing the term ´collective mind´ (P2a), a concept that may be difficult to understand. Also, the change reinforces the document's the principle-based approach, by including the possibility for organizations to affirm the extent to which they are aligned with the framework (P2c) - and not just whether aligned or not, in binary form.

2. **Does the framing of process disclosures meet the goals of promoting accountability and integrity while still providing flexibility?**

Answer: YES

Explain the rationale: The maintenance of the declaration of responsibility, optionally supplemented by process-related disclosures, helps to promote accountability, transparency, and the proper responsibility of the governance agents involved with the reporting.

It also promotes the flexibility and universalization of the framework, recognizing that some jurisdictions preclude the statement of responsibility. In such cases, disclosures on the reporting process are the recommended alternative.

3. **Does the Consultation Draft strike an appropriate balance between maintaining a principles-based approach and usefully informing preparer considerations?**

Answer: YES

Explain the rationale: In line with the principle-based approach, the suggested changes may facilitate the preparation of the document, by providing more objective directions on the provision of complementary information.

4. **Does the Glossary sufficiently clarify the potential inclusion of management personnel in the scope of those charged with governance?**

Answer: YES

Explain the rationale: ´Executive management´ is a governance body in many jurisdictions - therefore, the inclusion in the glossary (those charged with governance) is positive. However, we suggest replacing the term “management personnel” with “executive management”, emphasizing that we´re referring to the top management team (not considering the board of directors). This is in line with paragraph 1.22, which makes it clear that the high level of governance is responsible for <IR>.

5. **Do paragraphs 1.21 and 1.22 sufficiently recognize variations in governance models?**

Anwser: YES

Explain the rationale: We recognize the diversity of corporate governance systems in the world and we believe that paragraphs 1.21 and 1.22 allow for flexibility that embraces this diversity - including clarifying the attribution of responsibility when preparing reports.

PARTE II – Q6 a Q10

6. **Does paragraph 4.19 sufficiently differentiate outputs from outcomes?**

Answer: YES

Explain the rationale: The proposal helps to distinguish the concepts of ´output´ and ´outcome´, employing definition and examples – a confusion that has been identified among IR users.

7. **Does Figure 2 effectively distinguish outputs from outcomes and link outcomes to value creation, preservation or erosion?**

Answer: YES

Explain the rationale: The new figure 2 clarifies the difference between outcome and output and the temporal issue (short, medium, and long-term outcomes) through a better choice of colors. Also, it highlights the possibilities of creating, preserving, and eroding value over time.

8. **Does the final sentence in paragraph 4.19 sufficiently encourage evidence-based reporting of outcomes?**

Answer: YES

Explain the rationale: The change is positive in the sense of a greater emphasis on the use of quantitative and qualitative information that support the results. This should increase the transparency of the reports, with information that portrays the organization's situation/context.

9. **Does the increased emphasis on value preservation and value erosion encourage more balanced reporting of outcomes?**

Answer: YES

Explain the rationale: It´s is important not to restrict reporting to value creation processes. The inclusion of value preservation and/or erosion enables the elaboration of reports that cover the complexity of the value flow within organizations.

10. **Does the closing sentence of paragraph 4.20 sufficiently address the coverage of impacts under the term 'outcomes'?**

Answer: YES

Explain the rationale: The new wording of paragraph 4.20 complements the concept of short, medium, and long-term impact, introduced in the new configuration in figure 2. The concern with temporality can help to build more transparent and faithful reports so that the user can more clearly and broadly assess the organization's impacts over time in different dimensions/stakeholders – e.g., society, environment, etc.

In this sense, a small change may be needed: from 'an integrated report enables users to evaluate the organization´s wider impacts' to 'an integrated report enables users to more broadly evaluate the organization´s impacts'.

PARTE III – Q11 a Q15

11. **Should paragraph 1.7 extend beyond providers of financial capital alone to include providers of other forms of capital?**

Answer: YES

Explain the rationale:

Expanding the framework beyond financial capital providers is an important signal that <IR> can encompass different stakeholders and types of organizations. In the case of a startup, it may make more sense to emphasize the accumulated intellectual capital; for NGOs, perhaps social or relational capital. We believe the proposed change to be valid, providing for other forms of capital providers in addition to the investor (capital provider).

12. **Do you support the creation of a resource outside the <IR> Framework (e.g. an online database) to showcase authoritative sources of indicators and methodologies across the capitals?**

Answer: YES

Explain the rationale: Highlighting other methodologies, indicators, and processes that add to the elaboration of the IR enriches the narratives and provides greater robustness to the reported information.

This action reinforces the idea that the IR is a coalition among several actors: academia, market, regulators, civil society organizations, etc. Identifying some valid standards that could be used is an interesting action for conducting benchmarking research, for example. Subsequently, it will be up to the organization to use them according to its specificities.

However, the criteria for inclusion, maintenance and removal of methodologies, indicators, and processes should be clearly specified. There are many frameworks but only few deserve the support of IR.

If yes, to which standards, frameworks or initiatives should the resource point?

For now, we suggest GRI and SASB.

13. **Should the IIRC address the concept of integrated thinking more deeply?**

Answer: YES.

Explain the rationale: The concept of integrated thinking is the very foundation of the entire framework. It must continue to be emphasized and disseminated, to reach audiences that have not yet understood it. The more comprehended and disseminated the concept, the closer <IR> will be to achieving its objectives.

If yes, what additional guidance is needed?

If possible, highlight the concept of integrated thinking and its relationships within the framework, as a basis for the development of reports based on reflection, transparency, and accountability.

14. **Should the IIRC explore the role of technology in future corporate reporting as a priority?**

Answer: YES

Explain the rationale: Technology and digital transformation have revolutionized the way organizations create value, for themselves and their stakeholders. Although the word "prioritize" may be strong, we understand that much attention should be paid to this dimension, and properly considered into integrated reports.

However, we think that technology and digital transformation should not be taken as an end, but as a means to achieve organizational goals.

If yes, what technology considerations should be addressed?

The role of technology and digital transformation and its interrelationships with the various stakeholders in the organization's value chain.

15. Please provide any other comments not already addressed by your responses to Questions 1 – 14.

It's always relevant to say the organization does not have to produce other reports only to address the IR framework. The adoption of the framework can be demonstrated in the annual report. The annual report, which is the responsibility of the administration, should be the most comprehensive form of providing information to stakeholders. It should not preclude other occasional communications that ensure timeliness and regular frequency of information. It must provide duly audited financial, and externally assured non-financial information.