Contribuições do IBGC

à consulta pública do IIRC

Consultation Draft
of the International <IR> Framework

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CONSULTATION QUESTIONS

CHAPTER 1: OVERVIEW

Principles-based requirements

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.

<u>Paragraphs 1.11 and 1.12:</u>

- Include explanations to avoid the apparent contradiction between the principle of data materiality and the possibility that this information will not be available. It would be appropriate for the Framework to mention this dichotomy, providing guidance to organizations that they should review whether or not information is material if the data is unavailable. Finally, only if this review confirms that this information is material the company should publish information referred to in paragraph 1.12..

- Mention that, in principle, only rarely should information on material issues be unavailable and should be analyzed by the those in charge of governance. In general, these circumstances should be limited to: 1) initial <IR> application periods; 2) when an issue has only become material very recently or 3) when an item is difficult to measure.
  <u>Justification:</u> Paragraph 1.12 explains that when an organization does not have certain data available, it should state what steps are being or will be taken to obtain this information and the estimated time frame. However, in paragraph 1.11, the Framework establishes a principle that presumes material information will be presented. The foregoing suggestions will make this information clearer, given the contradictory positions described above.

Interaction with other reports and communications

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraph 1.18-1.20).

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

<u>Paragraphs 1.18 to 1.20:</u>

- Emphasize that all reports published by organizations adhering to <IR> should follow the Framework guidelines, ensuring that the information disclosed in different reports is coherent.

- ❖ Explain that, beyond existing reports, organizations adhering to <IR> are not necessarily required to produce a new report called the "integrated report".

- ❖ Explain that the integrated report is not a new document (stand-alone report) but a method of aligning and ensuring coherence between the various documents published, based on the position publicly presented by the IIRC.

  Justification: In this and other sections, the document does not clearly explain that the integrated report is not a new document, it is a method of aligning the wide range of documents already published by companies and ensuring they are coherent with one another. Paragraph 1.18 states that an integrated stand-alone report is expected to be prepared annually for financial reporting cycles. The expected production of an integrated stand-alone report could be interpreted as a requirement to create a new document, resulting in organizations not presenting information required by the <IR> in the various documents they normally prepare (financial reports, sustainability reports, etc.) which should be integrated based on the framework recommendations.

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?

- ❖ The IIRC database should include global and local references. We therefore suggest: IFRS (and regulation issued by the ; GRI. For companies operating in Brazil: The CVM (Reference Form, Material Facts and other CVM instructions); recommendations from the Ethos Institute; pronouncements from CODIM, regulation issued by the Comitê de Pronunciamentos Contábeis regarding IFRS and recommendations from the IBGC Code of Best Practices in Corporate Governance.

Other

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

General Aspects

- ❖ Recommend that when organizations produce their reports, they should consult and adhere to local references for the countries and regions they operate in.

- ❖ Suggest organizations should always mention the references, indicators and/or methods used to present information disclosed in their reports.
  Justification: Information can only be properly understood by readers if they are aware of the methodology used (for example IFRS x USGAAP).

- ❖ Within the Framework, provide a clearer explanation that both financial and non-financial information should adhere to <IR> principles.

- ❖ Provide a more detailed definition of "value" and include it in Chapter 1, as part of the principles (this definition should be written in bold-italic text to be considered a principles-based requirement), and in the Glossary.

Justification: The basic goal of the Framework is to present an integrated vision of long-term value creation, explained in paragraph 1.2. The concept of "value" throughout the Framework is a fundamental aspect of the <IR> goals and is only dealt with very briefly in section 2D.

❖ Provide a short explanation of the concept of materiality, explaining that the concept will be studied in greater detail in Chapter 3.
Justification: As the concept of materiality is referred to on several occasions in Chapter 1, we suggest providing the necessary explanations so that the recommendations can be properly understood.

Paragraph 1.17:

❖ Add two other factors to the list of interconnection and interdependence factors:

- The basic goal of the organization
Justification: Factors influencing value creation will be different in organizations with different goals;
- The compensation structure for management and those in charge of governance, and connection or linkage between compensation and the KPI's.

CHAPTER 2: FUNDAMENTAL CONCEPTS

The capitals (Section 2B)

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. Do you agree with this approach to the capitals? Why/why not?

❖ Yes. This is positive for the following reasons: It shows the relevance of certain aspects which have not been particularly well detailed (human, social and environmental capital); it explains who organizations should get involved when implementing <IR> and who is impacted by the results (positively or negatively); and it reinforces the need to evaluate all capitals, including non-financial capital.

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

General Aspects

❖ The text is very well written and the information is transmitted very clearly.

❖ As this chapter concentrated on essentially theoretical issues, we would suggest providing guidance throughout the Framework on how to implement the theoretical assumptions presented in this section in order to make the information more tangible for readers. For example, provide guidance on reporting narratives and the quantitative measures that should be presented.

Business model (Section 2C)

A business model is defined as an organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).
7. Do you agree with this definition? Why/why not?

- ❖ Yes. However, we would suggest including information explaining how organizations deal with the interaction of capitals as part of their business activities and during the value creation process and how they handle the impact their business model has on these capitals.

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs (paragraphs 2.35-2.36).
8. Do you agree with this definition? Why/why not?

- ❖ Yes. However, we would suggest that the Framework explicitly include in the "outcomes" the concept of "externalities" (positive and negative), the direct impact on capitals and the way organizations deal with them.

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).

Other

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

<u>General Aspects</u>

- ❖ Chapter 2 states that quantitative indicators are an important method of ensuring transparency about the way various capitals are used and the effects caused on them, explaining that not all aspects are measurable (paragraph 2.24). Additionally, we suggest that the Framework should recommend that organizations disclose this type of quantitative information whenever it is available.

<u>Paragraph 2.42:</u>

- ❖ Switch the position of this paragraph, which defines "value", putting it in the first chapter. If this is not possible, include a brief comment on "value" in the first chapter, suggesting that readers look at paragraph 2.42 for further information.

CHAPTER 3: GUIDING PRINCIPLES

Materiality and conciseness (Section 3D)

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

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

Paragraph 3.31:

- Emphasize the importance of maintaining the consistency of information published in different reports and, as such, the adoption of integrated approaches in all reports produced by the organization.

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

Paragraphs 3.30-3.32:

- Recommend that organizations provide auditable information on the processes and assumptions involved in obtaining the information, principally when no measurable data can be presented.
  Justification: Paragraph 3.32 states that, in certain cases, it may be appropriate for organizations to describe the mechanisms they have used to ensure their information is reliable. We need to point out that the value of information depends, to a great extent, on its reliability. On the other hand, reports are frequently shot through with subjectivity. Even if the information does not contain any objective data, it is always vital to disclose the mechanisms used to ensure that the information being reported is reliable, has been prepared using reasonable and consistent criteria and should be considered "the best information available".

- Encourage organizations to present the different levels of reliability for the information they disclose. Organizations should state which information has been estimated, the level of subjectivity and their ability to obtain objective measurement. It is very important to state the criteria used when obtaining information that is more subjective or difficult to measure.

Paragraph 3.34:

- State the frequency in which forecasts are reviewed, i.e. the length of time before forecasts are reviewed, updated and commented on, accompanied by and explanations about the differences between forecasts and actual results (following the approach used for financial guidance).

- Establish methods for more frequent forecasting and updating, rather than issuing forecasts and updating it only with each new report.

Paragraph 3.36:

- In this paragraph, we should explain that to ensure the information disclosed is complete, organizations should explain the specific characteristics of their business, industry references and other issues referred to previously.

Paragraph 3.39:

- Explain that the relevance of any information disclosed is directly linked to its materiality. The greater the materiality, the greater the need for disclosure. Therefore, information of greater materiality must be disclosed, independent of the costs of measuring and obtaining it.

Justification: For readers of the integrated report, the most important information is the most material information. Paragraph 3.39 states that an organization should evaluate the cost and benefits of disclosing information. When doing so, they should define the scope, level of specificity and accuracy of the information to be disclosed. However, we do not recommend the non-disclosure of material information simply because of the possible costs involved.

Paragraphs 3.42-3.45:

- ❖ Mention that omitting information could harm the company's image and that a company should always provide coherent and consistent justifications when unable to furnish data.

- ❖ Exclude the expressions "commercial" and "commercially", to include non-commercial but equally sensitive information.

- ❖ Explain how, without violating the principle of transparency, companies can select sensitive information which will not be disclosed because it may affect their competitiveness and strategy or unduly expose certain persons involved or their privacy (for example, individual results of directors performance assessments would probably not be published). To strike a balance, in paragraph 3.42 we could include guidance on selecting criteria for identifying what may be considered sensitive information and, as a result, will not be disclosed when reporting. In other words, the document should provide organizations with guidance on disclosing relevant information to investors and other stakeholders while, at the same time, protecting the business and the individuals involved (by not disclosing confidential or sensitive information).
  Justification: Without this recommendation, there is a significant risk that organizations will not disclose any material information at all, arguing that all sensitive information is confidential. As a result, reports from some organizations could end up simply presenting boilerplate and non-relevant information. There is also significant risk that confidential information could be disclosed and put the business or certain individuals at risk. Organizations need methods they can use to evaluate confidentiality and, at the same time, the relevance of the information.

Other

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

General Aspects

- ❖ Chapter 3 is very well written and the content is well structured. However, we would question whether the recommendations can be enforced by organizations as they stand.

Paragraph 3.3:

- ❖ Include an additional item when explaining the role of those in charge of Corporate Governance dealing with the use of capitals and the impact organizations have on them.

Paragraphs 3.10 and 3.11:

- Transfer the item on financial information from paragraph 3.11 to paragraph 3.10, as one of the elements of information connectivity.
  Justification: The principle of interconnection, presented in section 3B, states that the integrated report should present the interconnection and dependency between components that are material to creating value over time. Paragraph 3.10 states that the key components of information connection are: (i) the elements of the content, (ii) the past, present and future. Paragraph 3.11 presents further connectivity components (including financial and non-financial information). This suggestion presumes the importance of financial information for providers of financial resources, so they are able to evaluate their investments in terms of value creation.

Paragraph 3.12:

- Explain to organizations that the integrated report should connect information from a wide variety of published documents and should not necessarily be a new, stand-alone report. This would emphasize the importance of integrated thinking, encouraging each organization to assess how information resulting from integrated thinking will be disclosed (in a single report or based on the interconnections between existing reports).
  Justification: Paragraph 3.12 states that information connectivity and the adoption of an integrated report are preferable when the report is logically structured, correctly presented, written in clear language and includes navigational tools.

CHAPTER 4: CONTENT ELEMENTS

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).

General Aspects

- Put section 4G, which deals with future outlooks, closer to the beginning of chapter 4.

- In chapter 4, recommend that organizations provide information about ongoing training or acculturating initiatives for their staff that is related to integrated thinking.

- In chapter 4, inform that companies might disclose information about the organization produced independently by third parties, whenever this information is judged relevant by the company for the report..
  Justification: The integrated report mightbe more complete presenting users with a compilation of information produced by third parties and organizations themselves believe is relevant. There is information prepared and disclosed by its various stakeholders available on the market. For example, this type of information can be found in credit rating reports, investment analyst reports, a range of statistics (including industry rankings/ratings), positions in industry

relevant rankings, the quantity and type of customer complaints, and so on.

- Also recommend that organizations assess in advance which information available on the market is considered relevant and can be consistently presented periodically over time.
  Justification: This recommendation is an attempt to avoid "cherry picking".

Paragraph 4.20:

- Include an additional topic recommending disclosure of information on the organization's posture towards environmental and social limitations (scarcity of natural resources, global warming, pollution, waste, etc.).

Paragraph 4.22:

- In the fourth topic, emphasize the importance of providing information on l social and environmental externalities.

- Inform that companies might disclose information about the organization's image based on the opinion of its stakeholders (measured using surveys and other methods), whenever judged relevant by the company for the report.

Paragraph 4.23:

- In the fourth topic, mention the direct and indirect impacts on all capitals as well as other factors interfering with the aforementioned external environment.

Paragraph 4.25:

- Provide more detailed information so that the current status of all organizations can be assessed.
  Justification: Paragraph 4.25 states that certain organizations are made up of multiple divisions or segments, managed by a central division. In these situations, the Framework states that user assessments could concentrate more on managing investments than on the business models used in individual segments. This statement only applies to organizations with highly granular distribution of relevant businesses. In other situations, users of the integrated report will not be provided with highly relevant information if the organization is restricted to only reporting on one activity which is believed to be central to its business.

Paragraph 4.28:

- Include a recommendation that companies should use financial information as one of several performance indicators.
  Justification: The integrated report should state to what extent an organization has achieved its strategic objectives and what the effect has been on the various capitals (paragraph 4.27). Given the importance of financial information when investors are trying to assess the creation of financial value, it seems appropriate to include this information as an indicator of the organization's performance.

Paragraph 4.31:

- Include a recommendation that quantitative indicators should be chosen based on the Guiding Principles in the Framework, putting greater emphasis on an integrated overview.

- Include a recommendation that organizations should state the indicators they have chosen in order to measure the information disclosed.

- In the fifth topic, emphasize the fact that forecasts and projections should be produced with caution and should be periodically updated and reviewed. Recommend that organizations present a disclaimer, explaining that external factors may interfere with their businesses and, as a result, forecasts and projections may not be achieved.
  Justification: This disclaimer should avoid any harm being caused to an organization's image if forecasts or projections do not come to fruition.

Paragraph 4.34:

- Include a recommendation to also cover social and environmental issues when issuing forecasts or projections.

Paragraph 4.35:

- Include a recommendation to produce and disclose various possible scenarios, based on the different variables involved.

CHAPTER 5: PREPARATION AND PRESENTATION

Involvement of those charged with governance (Section 5D)

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?

- Yes.
  We need to make sure the Board of Directors is involved with the report, to guarantee that there is a connection between the information presented and the organization's strategy and to ensure the Board takes responsibility for selecting the processes adopted and ensuring their efficiency.

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

Paragraphs 5.17 and 5.18:

- Include more information and discussions on management and director's responsibilities and the limits of these responsibilities. These discussions could also provide further information for regulators for rules governing these issues.

- ❖ Recommend that those in charge of corporate governance use processes that allow them to back up reported information with evidence and ensure that internal controls are effective.

- ❖ In paragraph 5.18, include a warning for those in charge of Corporate Governance about the possible repercussions of willfully disclosing false or incorrect information and reports, such as legal charges and pressure from the market.

Credibility (Section 5E)

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

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

Paragraph 5.21:

- ❖ Recommend that assurance processes for the integrated report encompass the various stages of producing the report in order to adhere to <IR>:
  1) Creating a process to implement <IR> fundamentals
  2) Implementation activities for this process
  3) Reports resulting from this process

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.

Paragraph 5.19:

- ❖ Rewrite the beginning of the paragraph: replace "Organizations use a variety of internal Mechanisms...", with "Organizations should use a variety of internal mechanisms..."

- ❖ Describe situations that may present full or partial report assurance, as assurance may not be possible for some items and total assurance may be very expensive for some organizations, making it impossible for them to adhere to <IR>.

- ❖ Explain whether assurance should or should not include external documents and reports linked to the report.

Other

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).

Paragraph 5.2:

- Recommend the latest date for disclosing information in the integrated report (specifying a number of months after the fiscal year has been concluded) using either a new document or the various existing reports.

Section 5B:

- Recommend that the identification of material aspects should not be based only on measurable criteria (financial and other data), but also on non-measurable aspects. These materiality criteria should be defined using the pillars established by each organization, as per the guidance in paragraph 5.5.

Paragraph 5.4:

- In paragraph 5.4, include the following underlined segment: "Relevant matters are those that have a past, present or potential future effect on the organization's ability to create value <u>or cause impact</u> over time"

Paragraph 5.7:

- Provide examples of how magnitude can be assessed, based on the instructions provided.

Paragraph 5.8:

- Provide examples of situations in which a qualitative evaluation may be appropriate.

Paragraph 5.11:

- Include recommendations that factors having a major impact should be considered relevant, even if they are unlikely to occur.

- Provide examples of situations that organizations should take into account, based on the content of the graph.

Paragraph 5.13:

- Change the position of this paragraph, including it in item 5C.

Paragraph 5.25:

- Expand the discussion on reporting boundaries, based on the assumptions used by the GRI.

- Change the text of the last topic so that it ends as follows: "... to create value <u>or to cause impact</u> over time"

Paragraph 5.31:

- Forecast and explain some of the basic criteria requiring disaggregation when presenting certain information: Size, direct access to the capital markets; business contribution to the overall results of the group.

Paragraph 5.32:

- Present examples of two situations: One showing information that should be aggregated and another showing information which should be disaggregated.

Section 5F:

- Provide guidance on how to define short, medium and long-term periods so that they are not arbitrary or erroneous. Recommend that these definitions should be based on the logic adopted by each organization and should correspond to the definitions used in Strategic Planning, taking into account the relationships between the different types of capital involved.

- Recommend that organizations explain what they understand to be short, medium and long-term and how they arrived at these definitions.

- Provide a guide and practical examples to avoid "one year" being defined as long-term by some organizations.

Paragraphs 5.40 and 5.41:

- Rewrite the text to avoid specifically mentioning the XBRL, but provide a generic recommendation that organizations use similar, internationally recognized mechanisms.
  Justification: This change will avoid the framework becoming "dated" and having to be updated in order to mention any other platforms that may appear.

5G - Reporting Boundary

- This section practically deals only with the relationship of <IR> with financial reporting, but no guidance to the relationship with the non-financial one. This needs to be developed before the Framework launch, otherwise its "integrated" characteristic will be seriously damaged - running the risk of being perceived as, basically, an upgraded financial report. There needs to be some guidance on how to merge the results of different materiality approaches (financial and non-financial), for instance.

Overall view

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?

Development of <IR>

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?

- Materiality
- Practical examples of how information should be presented in an integrated report, as opposed to how they would be presented in a non-integrated report (provide two sample reports from a fictitious company, each using one of these methodologies for comparison purposes).
- Define time frames (short, medium and long-term)

Other

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

- Explain how organizations should define which information is considered strategic and/or confidential and, as such, is not disclosed in their reports.

- Explain that the integrated report can be presented as a number of different reports containing connected information, and not only as a new, stand-alone, report.

- In the glossary, include a definition of "value", which is extensively used throughout the framework.

- Give greater emphasis to integrated thinking as opposed to a separate report.

- Provide further content on management responsibilities.