

Neil Stevenson
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Dear Neil,

International Integrated Reporting Framework Implementation Feedback

Thank you for the opportunity to comment on the implementation of the International Integrated Reporting Framework (IR). We believe that it is helpful for the IIRC to consult on the use of the IR Framework as it considers its future strategy and work plan. As the questions in the consultation are primarily directed towards preparers we have not responded to the specific questions in the paper but instead, in this letter, set out some general observations on IR.

Integrated Reporting

We support the concept of integrated thinking and integrated reporting. We believe that it is important that the annual report as a whole is a cohesive document containing appropriate linkages between its different parts. We also support the idea that Boards should be considering the broader factors that may impact the value of the company over the longer term. That said, we believe that companies should be provided with flexibility on how they report information and consider that other frameworks could also be used to achieve similar objectives to IR.

In our view, the IIRC has been very successful at promoting the idea of integrated reporting internationally and bringing together different organisations involved in corporate reporting through initiatives such as the Corporate Reporting Dialogue and encourage further development of this forum.

Adoption of Integrated Reporting

In the UK, the Strategic Report regulations supported by the FRC's Guidance on the Strategic Report provide a framework for narrative reporting that includes similar principles to those set out in the IR Framework. As a consequence, the number of UK companies preparing an IR in accordance with the IIRC's Framework is relatively low. We have also seen limited demand from investors for an Integrated Report.

That said, we note that adoption of IR Framework has been popular in those jurisdictions that may not have existing regulations for narrative reporting and we consider that the IIRC's role may differ according to the maturity of the narrative reporting regime in the relevant jurisdiction. This divergence of role may have an impact on the IIRC's future work programme.

IIRC's future work

The IIRC has been successful bringing IR within mainstream discussions on corporate reporting. Following this good work, we believe that there is an opportunity for the IIRC to consider its future role. In our view, we believe that there are opportunities for the IIRC to influence other developments in narrative and wider corporate reporting.

We note that the International Accounting Standards Board (IASB) is considering its role in narrative reporting and wider corporate reporting in light of developments such as IR, non-financial reporting and the Strategic Report. We consider that there are opportunities for the IIRC to influence developments such as, for example, any future updates to the IASB's Practice Statement on Management Commentary by sharing the experiences of the development of the IR Framework.

We believe that the IIRC has a key role in contributing to the debate on the future of corporate reporting. To date the IIRC has made a contribution to the debate on some of these broader areas including the development of assurance models to support IR and broader sustainability considerations. In our view, the IIRC should continue its thought leadership work in this area as this agenda evolves.

On the framework itself, we consider that following the outcome of the implementation feedback, there may be an opportunity for the IIRC to update the IR framework to reflect these comments and developments in corporate reporting.

We also believe that that IIRC through initiatives such as the CRD has a role in promoting collaboration between regulators, standard setters, preparers, investors, auditors and other stakeholders. The FRC has demonstrated thought leadership through its work on Clear & Concise Reporting, Narrative Reporting and projects aimed at improving the effectiveness of disclosures that have had influence internationally and we would welcome working together with the IIRC in promoting this goal.

Finally, we would like to draw your attention to our recent Lab report¹ on business model reporting that provides insights into investor and company views on reporting in this area.

If you would like to discuss these comments, please contact Deepa Raval on 0207 492 2424.

Yours sincerely



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¹ The report is available at <https://www.frc.org.uk/Our-Work/Publications/Financial-Reporting-Lab/FRC-Lab-Business-model-disclosure.pdf>