



Consiglio Nazionale  
dei Dottori Commercialisti  
e degli Esperti Contabili

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OBSERVATIONS AND COMMENTS ON THE DISCUSSION PAPER

“FRAMEWORK FOR INTEGRATED REPORTING AND THE INTEGRATED REPORT”

PUBLISHED BY THE SOUTH AFRICAN INSTITUTE OF CHARTERED ACCOUNTANTS

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## GENERAL COMMENTS ON THE DISCUSSION PAPER

1. The CNDCEC expresses its appreciation on the Discussion Paper prepared by the SAICA, on its structure and its contents, even if it believes that it is possible to suggest following amendments' proposals and comments aiming at a more effective development of the issues addressed in it and of the international debate on the integrated reporting.
2. From a perspective of clarity and materiality of the exposed contents, some arguments, both general and specific, seem to suffer from a limit related to the lack of the precise indication of the audience which the Integrated Report is oriented at: Paragraph 1.5 doesn't solve this issue and therefore the document does not adequately and convincingly show how processes and methods of stakeholder engagement should be developed.

The CNDCEC finds it difficult, if not impossible, to draw up a reporting document which is material and relevant for "all stakeholders", and that meets all their expectations without identifying the stakeholders of reference and their priorities.

3. It should be specified that the Integrated Report is not a document in which financial statements and CSR report are added together: the CNDCEC supports the concept of "integration" of financial and non-financial information, but also believes that a greater effort should be addressed to the representation of the overall business situation, combining financial aspects with environmental and sustainability ones (see para. 1.5) as well as the other value elements of the organisation (intangibles, reputation, etc.).
4. In general, CNDCEC considers it a priority to focus on the performance measurement and the achievement of business objectives; the description of activities and management procedures should be instrumental to the representation of the objectives and the reporting of the performance.

## COMMENTS ON THE SPECIFIC PARAGRAPHS

### Paragraph 1 – Introduction

#### *General comments on Paragraph 1*

1. The CNDCEC appreciates the distinction between "financial issues" and "economic issues". CNDCEC also welcomes the attempt to address the issue as set out in Box 1 of the document, although feels this issue should be developed further.
2. The CNDCEC shares the importance of keeping in mind the distinction between the "process" and "document" of integrated reporting and also considers the crucial role that this distinction can play in defining appropriate stakeholder engagement policies. In the perspective of finding the right balance between the completeness and conciseness in the



Integrated Report (seen as one of the means by which the organization can develop its strategy of stakeholder engagement), it may be useful to distinguish themselves in primary and secondary stakeholders, as well as it may be of support the assessment of variables connected with “direct impact” and “indirect impact” (see General comments on the Discussion Paper No. 2).

3. The benefits listed in Box 1 do not appear properly focused; in particular, some of the themes identified in the various bullet points may be merged (bullet points 4 and 11; bullet points 2, 6 and 9; bullet points 3 and 4).

#### *Specific comments on Paragraph 1*

- Box 1, bullet point 1 and 3.

The statements in the bullet points assume the model of the perfect competition; actually, instead, an increased scale and integration of the information is not always corresponding to a more effective information with regard to all stakeholders, and this also because of the possible existence of information asymmetry.

- Box 1, bullet point 11.

The claim may be more or less true depending on the economic system and the labor market to which it refers and in which it operates.

#### **Paragraph 1.6**

- Bullet point 1, sub-bullet point 2.

The proposition is not convincing as articulated: it would be better to use the phrase “included in the strategy (in place of “integrated into the organisation’s strategy”). In the CNDCEC perspective, the term “inclusion” means the attitude of “internalizing” in the strategies, in decision making and in business initiatives.

- Page 6, Note 3: Key Risk Indicators (KRI).

KRI is a really fundamental concept, worth to be developed in the text and not in a Note. However, it is not a concept shared in many contexts, therefore it is necessary to evaluate the desirability of introducing it in a principle-based document unless introduced through an adequate development of appropriate definitions and explicitly.

#### **Paragraph 1.7**

- Page 6 and 7.

The definitions provided in this paragraph are drawn with a view to a general reference to the stakeholders without specifying to which stakeholders you are referring to. The CNDCEC considered ambiguous, if not improper, defining the Integrated Report as a document on strategies rather than on performance: an effective indication of results and ESG “impacts” can be supported by an indication of the strategies by which results and



impacts were pursued, but the strategies shouldn't themselves be the subject of the report. In other words, the CNDCEC believes that the report should be developed in the perspective of measuring the "object" and not of describing it analytically; therefore, only if needed and where appropriate, the description of the strategies or the description of strategies' performance should be added to the description of the performance.

In this respect it is useful the explanation of the bullet point 4 of the Table on page 7 (Section 3.4).

## Paragraph 2 - Reporting Principles

### *General comments*

1. It should be clarified that the listed principles relate to the report and not the reporting process.

### *Specific comments*

- Page 8, first line paragraph 4.

The sentence "While the principles applied in compiling the detailed reports will equally apply to the underlying information, they would not necessarily apply to the same degree in the integrated report." should be clarified. This sentence can be understood both as different application of principles (e.g. the concept of "materiality" in the financial context and in the sustainability context is significantly different) and as a different selection of applicable principles.

## Paragraph 2.2

- In particular, the following statement, in the second first line paragraph, is problematic: "To be useful, information needs to be both relevant and faithfully represented. In preparing an integrated report consideration should be given to the factors that may influence the assessment or decision-making of stakeholders and the organisation.". Need to be explained how to interpret the role attributed here to the stakeholders (all of them, some of them, the financial stakeholders, the primary stakeholders) and how to distinguish them.

## Paragraph 2.3

- Page 11 – Verifiability.

It should be clarified the scope of reference of the principle and if the principle refers to the process or information.

- Page 11 - Verifiability, bullet point 2.



Exposition a bit confusing: after the “negative” explanation (“It is not possible to verify all explanations and forward-looking information.”), the term “forward” may not be used: we need to refer to the concept of “materiality”.

### Paragraph 3.1

- Bullet point 2: “Nature of the information provided”.

We need to clarify and identify the criteria under which it appears possible to select the information, their nature and their scope and boundaries; the phrase generates the possibility that – depending on the nature of the object – it is given different information.

- Bullet point 4 and last bullet point.

The wording of the sentence and the examples give the impression that an Integrated Report could be constituted by a “sum” of financial report and CSR report, an idea diametrically opposite to the general concept of the Integrated Report as defined in the general part of the document (see General comments on the Discussion Paper No. 3).

### Paragraph 3.3

- “Identifying material issues, impacts and relationships”, bullet point 1.

The statement may provide too much space to descriptions and storytelling.

- “Identifying material issues, impacts and relationships”, bullet point 3.

The contents of this bullet point should be better displayed in the Report Profile (see para. 3.1): they are not themes related with the process. Connecting the identification of the stakeholders’ materiality with the stakeholders’ perception of the materiality of the business activities and dynamics could lead the preparers of the Integrated Report to the collation of ESG issues with the financial aspects (e.g.: the adoption of a “matching matrix”, through which identifying the relevant information in function of specific stakeholders, seems to lend itself to a misleading use) (see General comments on the Discussion Paper No. 3).

- Bullet point 4.

The description of the process should be replaced by references to the procedure used (the specification of the process is excessive).



### Paragraph 3.5

- Box 2.

For listed companies, we need to point out that, together with the Integrated Report, they may publish a separate report in which the financial information are specifically represented. In this perspective, the above mentioned information should not appeared too disjointed to the information synthetically provided in the Integrated Report.

### Paragraph 3.7

- The CNDCEC believes that the document should relate to remuneration policies linked to the variable component; for example, the list of the benefits provided to employees should be eliminated, as too tied to the internal business environment.

### Paragraph 4

- The CNDCEC deemed appropriate that the assurance shall be mandatory for all areas of the integrated reporting and not only for financial issues.

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