

**Gemeinsame Positionierung AKIR zu den Fragen des International Integrated Reporting Council (IIRC) anlässlich der Revision des Integrated Reporting (IR)-
Framework**

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

Selected answer: yes

Comments made:

We voted "yes" because we understood and interpreted the term "simplify" as "clarify". We believe that the amendments lead to a higher level of clarity regarding the content of the statement of responsibility and the responsibility of "those charged with governance". If we were to interpret "simplify" as simplifying, we would consequently answer "no", as the required disclosures most likely will lead to higher costs and a higher level of complexity in the reporting practice. To our opinion the term "simplify" does not really comply with the objective and content of the adjustments to para 1.20.

Furthermore, we are concerned about the new requirement that "those charged with governance" should also refer in their statement to "the extent to which" their integrated report is in accordance with the IIRC's framework. We think that this could fuel a certain expectation of the report users regarding the level of preciseness concerning the grade of divergence of the particular report from the framework. The requirement of such a qualifying statement can be perceived as conflicting with the general principles-based approach of the framework and could cause a gap between the perception of divergence of the management and the expectations of the users. This could result in a reluctance of managers to refer to the IR framework at all. In the light of missing objective measures for "the extent" of compliance, "those charged with governance" might be negatively exposed to such a statement for indemnity reasons. The qualifying statement could also challenge the assurance provider in cases when the integrated reported is subject to an assurance engagement. The provider will have a hard time to judge whether the "extent" of compliance with the framework, expressed by "those charged with governance", is "correct" or "plausible", taking into account that the IR framework does not include clear rules and the assurance profession has not (yet) developed appropriate assurance standards. An assurance statement on the integrated report and the adjunct statement of responsibly could cause misleading expectations of the users of the report. Therefore, we advocate not to include this addition ("the extent to which") in the revised version of the IR framework.

Against this background, we wonder whether it would be favorable to refer in the statement of responsibility to the compliance with the concept of integrated thinking than to the compliance with the IR framework. Because the concept of integrated thinking is the core of IR, this could for example be done by explaining the implementation of integrated thinking regarding responsibilities within the company. This would also complement the requirements concerning the description of reporting processes and responsibilities and it would be suitable to explain to the users of the report the "companies IR journey".

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

Selected answer: yes

Comments made:

We do believe that the intended goals are met. However, we also would like to point out our concern that the expectations with regard to the process disclosures could rise too high, causing a considerable disclosure load on the reporting companies and also a potential conflict with the framework-principle of conciseness. Therefore, it would be useful to include a corresponding reference to this principle in para. 1.20.

(3) Does the Consultation Draft strike an appropriate balance between maintaining a principles-based approach to process-related disclosures and usefully informing preparer considerations?

Selected answer: yes

Comments made:

No comments!

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

Selected answer: yes

Comments made:

Referring to our comments made regarding question 1, we think that "overseeing the integrated reporting process" incorporates integrated thinking in an outstanding way. We consider the inclusion of management personal in the scope of "those charged with governance" as very useful, as it confirms that IR is part and an outcome of the integrated thinking of corporate management that needs to be applied at all management levels within an organization. However, we would like to point out that many companies, even those that have been dealing with the concept of IR for many years, are not yet as far advanced in implementing and cascading down integrated thinking to different levels and areas of management.

(5) Do the new paragraphs 1.21 and 1.22 sufficiently recognize variations in governance models?

Selected answer: yes

Comments made:

We think that these additions help to apply the notion of "those charged with governance" in the international context of different types of companies' organizations and governance structures.

(6) Does paragraph 4.19 sufficiently differentiate outputs from outcomes?

Selected answer: yes

Comments made:

In our opinion, the additions made have a clarifying and supporting effect to make a proper differentiation between the two notions. Therefore, we welcome them. Although we would like to point out that this differentiation has already been discussed in the same way in detail in literature and practice for quite a long time. Thus, we do not value the additions too high, in particular because the industry examples given are (kind of) standard examples. We would like to encourage the IIRC to also include examples from other sectors, such as services, financial institutions, the public sector and non-governmental organizations. We believe that the output/outcome differentiation in such sectors is not as obvious and may therefore be more challenging in practice. Thus, examples in the framework would be instructive. Following this inclusion of examples, a change in the preamble of the IR framework, which speaks of "approach to corporate reporting" and therefore limits the scope of the framework, would be necessary to avoid inconsistencies within the framework and also the whole concept of integrated reporting and the related goals of the IIRC.

(7) Does Figure 2 sufficiently distinguish outputs from outcomes and link outcomes to value creation, preservation or erosion?

Selected answer: yes

Comments made:

We are convinced that the modified presentation of this figure, which is very central to the IR framework, is helpful in delivering its intended message. It allows a clearer interpretation of the core aspects of IR. We consider the additions of "purpose", "value preservation and erosion" (as a counterpart to value creation) as very positive in this sense. In our opinion, however, the color design of the bubble for "outcomes" as an assignment to the business model and the inclusion of the time horizon "short, medium and long term" in this part of the figure is not appropriate. The figure does not show clearly whether the business model, which should be symbolized by the blue box background, includes outcomes or not. In addition, the time horizon rather refers to the entire consideration of multidimensional value creation within the framework of integrated reporting. The presentation in the consultation document does not reflect this, as the expression "short, medium and long term" is directly assigned to the "outcomes". It would be more appropriate to anchor "short, medium and long term" in the arrow ("value creation, preservation and erosion") shown at the bottom of the figure.

(8) Does the final sentence in para 4.19 sufficiently encourage evidence-based reporting of outcomes?

Selected answer: no

Comments made:

In our opinion, the concluding sentence in paragraph 4.19, as presented, does not provide a basis for pushing evidence-based disclosures. This applies analogously to the term "ordinarily", which further weakens and relativizes the underlying demand for evidence-based information. This also applies to the term "sufficiently" in the above consultation question. We propose to amend the sentence (in conjunction with our comments regarding question 10) in a way as follows: "The reporting on outcomes should be as much evidence-based as possible. Evidence can include experiences of the reporting company, the industry group, academia etc.".

Furthermore, the concept of evidence and evidence-based reporting may need clarification in this context. In our opinion, evidence-based reporting does not necessarily have to be based on quantifiable information. A statement that both quantitative and qualitative information can form a basis for evidence would support the demand for evidence-based information and would also facilitate its use in connection with non-financial aspects. While the references to paragraphs 1.11 and 5.6 f. are correct, their implications may not be perceived accordingly as long as the explanation in paragraph 4.19 is too vague and conservative.

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

Selected answer: yes

Comments made:

We are convinced that the consistent explicit reference to "value preservation" and "value erosion" besides "value creation" stresses the full picture of the value considerations under the concept of integrated thinking. Thus, we do welcome these additions in the framework. In our view, this clarifies the presentation of both positive and negative changes in capital, which has always been the core content of the concept of integrated thinking and the principle of neutrality. However, we would like to remind that this verbal clarification in the framework does not necessarily and directly result in a balanced view in corporate management and/or reporting practice as paragraph 3.39 and the guiding principle of reliability and completeness have already established the requirement of balanced reporting explicitly.

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

Selected answer: undecided

Comments made:

We are not sure whether the sentence really leads to a clearer understanding of the terms "impacts" and "outcomes" in particular because in the same sentence of the paragraph two other similar expressions are used that are "effects" and "consequences". We think that it might be very confusing for the users of the framework to find all four terms without having clear information whether they are used as synonyms or whether they have slightly different contents. Thus, we strongly propose to include a statement in the framework that either all these four terms can be seen as synonymous (more or less) or that they are different. E.g., there could be a phrase like: "Some call it impacts, some effects, some consequences and some outcomes. This framework refers to outcomes." If the terms are not used synonymously within the IR framework, then the differences should be clearly explained.

(11) Should paragraph 1.7 extend beyond providers of financial capital alone to include ‘providers of other forms of capital’?

Selected answer: undecided

Comments made:

We have opted for "undecided", as we believe that the question asked finally seems to have a politically motivated background. We fully understand the pros and cons arguments put forward. We would like to point out that the scientific literature has been able to show the long-term compatibility of the shareholder and the stakeholder value concepts and that investors, as human beings, are also part of the society, the environment and thus possibly also offer other forms of capital than just the financial one. They do have the role of multi-capital providers.

For these reasons, we suggest avoiding the term "provider of (financial) capital" in paragraph 1.7 and rather use the term "stakeholders" because this would meet the issue of the objective of IR much better. In particular, the term "stakeholders" also fits much better with the explanation given in paragraph 1.8. Paragraph 1.7 in its current form is actually misleading as a focus on financial capital contradicts the multi-capital approach of the framework. In our opinion, the proposed reference to "providers of other forms of capital" with the added footnote, mentioning the diverse capitals, seems to be too complex for readers of the framework that do not yet have an understanding of the concept of IR. The IR approach of the different capitals is explained much later in the framework. It is not self-explaining at this first page of the framework. Therefore, in order to be clear and understandable paragraph 1.7 should just refer to "stakeholders".

If our proposition is not seen as favorable at this point in time, we would like to propose the following alternative wording in paragraph 1.7 : "The primary purpose of an integrated report is to explain how an organization creates value over time. It therefore contains relevant information, both financial and other." It would also be possible to opt for a formulation like: "(...) for providers of financial as well as of other forms of capital [insert a reference to the concept of the capitals here]." This would maintain the primary focus on providers of financial capital, while emphasizing other types of capital and their providers.

We do see great importance to change the formulation of para. 1.7 as it has been a reason for quite a lot of criticism to the IIRC and its framework. People have put forward that this phrase and some related others that follow in the framework show that the framework is not based on a stakeholder but a shareholder view which is in conflict with a neutral and unbiased interpretation of "integrated thinking". Therefore, we do regret that this issue of Topic Paper 3 has not yet been incorporated into this current revision project of the framework. Taking into account the current global political and institutional power game situation with regard to non-financial reporting, we can on the one hand understand that the IIRC is reluctant to take a clear position concerning the stakeholder approach, as the protagonists of the shareholder value approach in the market might (for the time being) still be more powerful. On the other hand, we are convinced that the idea of a pure, unbiased stakeholder oriented "integrated thinking" globally will be the approach in the long run. Therefore, this view would need a strong institutional protagonist already now and the IIRC would be the most suitable institution to take over this role.

(12) Do you support the creation of a resource (e.g. online database) to showcase authoritative sources of indicators and methodologies across the capitals?

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

Selected answer: no

Comments made:

We do not consider the creation of such a resource to be target-oriented and thus sensible for the IIRC from a strategic point of view. The core of IR and an integrated report is the communication of value creation from a company-specific perspective ("telling the particular value creation story"). The underlying conceptual approach is the so-called management approach. Such a resource could undermine the comprehensive role of this approach. Although uniform, internationally developed and recognized as well as easily software-based usable metrics are welcome, the focus in corporate reporting should primarily be on the consistent application of these metrics by each company. Meanwhile, numerous initiatives outside the IIRC can currently be identified which will ensure that certain metrics are established and enforced on the market in the foreseeable future (e.g. the EU's sustainable finance strategy). To our opinion the choice of the set of metrics or standards applied should be left to the corporate management of each individual company. This maintains the flexibility for the management to choose the sets that best comply with the business model and value creation situation of the particular company. It also creates competition on the "market" of (in particular) non-financial reporting standard setters and allows the users of the different reports to make their judgements regarding the usefulness of the information provided. This could lead to a convergence of the applied sets of standards and finally, most likely, to better standards. Consequently, we believe that the IIRC should maintain the neutral role it has played until now regarding metrics related to particular capitals. It should not provide a collection of metrics or step in the role to promote particular standards. Instead, we would like to encourage the IIRC to take a closer look at the relationship between integrated thinking, the capitals referred to in the framework and the Sustainable Development Goals (SDGs). As the SDGs are the most important macroeconomic, societal and regulatory objectives that are more and more taken into account by corporations, it would be very appropriate to investigate this relation deeper and to mention it in the framework.

(13) Should the IIRC more fully address the concept of integrated thinking?

If yes, what additional guidance is needed?

Selected answer: no

Comments made:

We think that the IIRC addresses integrated thinking in the framework to a sufficient extent. Integrated thinking is and remains an intangible concept that builds the core of IR. Integrated thinking needs to be part of a company's governance system and corporate culture. Thus, the concrete application of the concept is very company specific. Therefore, the path the IIRC has taken

so far, to provide case studies on the companies' experiences and challenges regarding the application of integrated thinking, is an appropriate one to our conviction. At this point we would like to note that the direct exchange of experiences and opinions between people is often more effective than the communication through digital tools or reports. In order to promote such an exchange, we encourage the IIRC to continue or even intensify its efforts to offer events and other possibilities where interested parties can get in touch and discuss issues and challenges of integrated thinking (and reporting) and can learn from each other.

We would therefore like to encourage the IIRC to continue in providing these types of case studies. However, the insight into particular corporate experiences could be increased by widening (even more than already done) the scope of industries and/or by focusing on specific current business or societal challenges, like e.g. the Corona pandemic. In this respect, it would be helpful to showcase the value added that integrated thinking really could provide to the companies and to society.

It is surprising that the IIRC did not build on its Integrated Thinking & Strategy – State of play report which was published earlier this year. In this report the general concept of value creation (fig. 2 in the framework) was extended (going from the string to the spring model). While it might not be necessary to extend the prior model, the thoughts and concepts discussed in the state of play report might help to further clarify the multi-capital approach and the long-term perspective of integrated reporting.

**(14) Should the IIRC explore the role of technology in future corporate reporting as a matter of priority?
If yes, what technology considerations should be addressed?**

Selected answer: yes

Comments made:

Although the question is imprecise and can be interpreted in both directions, the internal data generation/processing and the external corporate reporting, we believe that the exploration of the role of technology for all reporting purposes is unreservedly welcome. In particular regarding the issue of evidence-based reporting raised in question 8 technology (such as artificial intelligence) could and will help a lot, for example to detect and report evidence-based connectivity, which is absolutely crucial to apply the concept of integrated thinking effectively in corporate management and reporting.

Regarding reporting, we wonder why on p. 4 of Topic Paper 3 a discussion of the eXtensible Business Reporting Language (XBRL) is characterized as not worth pursuing. This statement is clearly opposed to current developments, especially at the European level, specifically regarding the European Single Electronic Format (ESEF) and the ongoing considerations on the application of ESEF to the newly created, standardized EU taxonomy regulation to facilitate sustainable investments. The regulatory aspects and possibilities of non-financial reporting will clearly come to the fore in the future regarding the application of technological tools. Considering that integrated reporting is often (not the least by regulators) regarded as beneficial to incorporate non-financial aspects in investors' and other stakeholders' decision making, it is very sensible to explore the possibility to increase the effectivity and efficiency of IR through the application of technology.

It should be noted that XBRL might only be regarded as a relevant technology only over the medium-term for both reporting and data processing. The IIRC should bear in mind that only artificial intelligence and thus Big Data Analytics may be considered as a longer-term and all-encompassing technology for the future of corporate reporting. However, in this respect and regarding the ongoing general discussion about future reporting technologies, it would not be helpful for companies if the results that are brought to light by the IIRC are only of an unspecified nature. In our view, focused e.g. case studies with clear indications where, how and to what extent artificial intelligence or the concrete technology can have impacts could be beneficial. In any case, these undertakings should be linked to the overarching concept of integrated thinking and thus back to the application of IR and the IR framework.

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

We would like to encourage the IIRC to continue promoting the approach of integrated thinking in corporate management world-wide and the consequently applied concept of Integrated Reporting. We hope that it will play a major and moderating role in the current attempts to create an international standard setting body in the field of non-financial reporting in order to incorporate the idea of integrated reporting in this process, as well as in the awaited standard setter and the resulting standards. We think that the IIRC should not become a standard setter nor should it promote particular standards or institutions. The unique and identifying characteristic and role of the IIRC should continue to be the “integration function” regarding the different dimensions of corporate value creation and their consideration in management decisions and in corporate (integrated) reports. In this way, the IIRC can provide guidelines on an integrated approach to (non-financial) reporting and, thus, might be the enabling factor for a potential common international non-financial reporting standard.

In front of this perspective, we wish the IIRC a lot of success within the coming next 10 years.