



July 15, 2013

Mr. Paul Druckman, CEO
International Integrated Reporting Council
10 Lincoln's Inn Fields
London, WC2A 3EE
United Kingdom

Re: XBRL International Best Practices Board Response to the IIRC Framework Consultation Draft

Dear Mr. Druckman,

The XBRL International Best Practices Board (BPB) is pleased to offer its comments on the Integrated Reporting Framework Consultation Draft (CD) dated April 16, 2013. The BPB is a board established by XBRL International, Inc. (XII) to actively manage the production, dissemination and continual improvement of work products that describe methods and processes for successful development, implementation, integration, maintenance and usage of eXtensible Business Reporting Language (XBRL) specifications. XII is the worldwide standard setting body responsible for developing and maintaining the global, XBRL interactive-data standard for reporting financial and non-financial information. XII is comprised of more than 700 member organizations in 27 countries, including regulators, accounting standard setters, technology vendors, accountancy and professional services firms, corporations, banks, stock exchanges and management consulting firms.'

XBRL is an enabling technology allowing intelligent, electronic exchange of business reports. Preparers can use XBRL-enabled software to 'tag' numeric and narrative information as well as express relationships between data points within a single report or across multiple reports (e.g., financial statements, CSR report, sustainability report, integrated report). XBRL allows this information to be accessible and reusable by computer software and over the Internet, thereby reducing the data acquisition and processing costs to users of financial/non-financial report data. Because XBRL tags conform to various recognized accounting and regulatory reporting standards (e.g., US GAAP, IFRS), it allows for analysis and comparison of consistent, connected information necessary for capital markets to function effectively. (Visit www.xbrl.org for more information.)

XII and the IIRC have been sharing information: Michael Nugent, IIRC Technical Director, spoke to delegates in April 2013 at the 26th XBRL International Conference in Dublin; XII has promoted the Consultation Draft to its membership and the XBRL community at large. Sustainability has also been a topic of much discussion during the last several XBRL International conferences in Japan, United Arab Emirates, Montreal and others. These presentations have detailed how XBRL is already being utilized in ways outlined in the integrated reporting framework.

The BPB applauds the efforts of the International Integrated Reporting Council (IIRC) to evolve corporate reporting and to recognize the role XBRL technology can play as discussed in the CD. The BPB offers the following general comments, question responses on relevant sections of the CD, and recommendations:

General Comments:

- 1. Technology enablement and corporate reporting.** Information is the lifeblood of business today; technology helps companies maintain the health of their information assets, including having proper controls/security around information, and reliable systems to collect, analyze and report information for internal management reporting as well as external regulatory/compliance reporting. With increasing pressures on corporations to disclose information to multiple stakeholders in an efficient, reliable manner, technologies like XBRL deliver benefits throughout the 'business reporting supply chain' to make that information not only accessible, but reusable and easily consumable by software programs or sharing over the Internet. Digital and web-based reporting are further enhanced by XBRL technology to enable reliable connectivity of information within and between reports. Integrated reports feature connected information (e.g., between financial and non-financial information, the capitals, the business model, and material risk factors) – XBRL helps make this connectivity possible.
- 2. Structured, digital financial *and* non-financial data.** Corporate reporting is evolving to increasingly include material, non-financial disclosures (e.g., Environmental, Social and Governance (ESG) information) to complement financial disclosures in an integrated report. According to Ocean Tomo's 2010 research, investors and other stakeholders are finding more value 'off the balance sheet' in the non-financial disclosures and are therefore demanding more ESG data for analysis and decision making. IIRC estimates that *financial* information reported by companies representing more than 75% of the world's total market capitalization is already being shared in the structured XBRL data format due to various regulatory mandates. That financial data is in a standard, accessible, consumable, comparable and computer readable format because of XBRL. For the *non-financial* disclosures in an integrated report to realize these same benefits for investors and other users of the data, they too would ideally be in the same XBRL format. Users of integrated reporting data will include both financial and non-financial information in their analysis – *both* sets of data would be easily accessed, consumed, compared and analyzed in XBRL format. There are also early signs of an evolution from document-centric models for corporate disclosures to more data-centric models independent of the type of document in which the data is included. XBRL allows data to be released from the 'prison' of presentation formats seen in documents and accessed and consumed as individual pieces of data that preserve their context and meaning. Due to the progress that has already been made in utilizing XBRL for both financial and non-financial reporting in multiple countries, ***XBRL would be the best solution*** for achieving the IIRC's goal to "improve users' capability to search, access, combine, connect, customize, re-use or analyse information." ¹
- 3. Efficient and effective communication channels to investors.** Providers of financial capital – the IIRC's stated primary target audience for integrated reports – use data in a variety of ways. Today's portfolio managers using data for systematic analysis or stock screening when determining long-term investment

¹ IIRC Consultative Draft Section 3.12; page 19.

positions mainly rely on data and semantic text analysis indicators supplied by third parties (e.g., data aggregators/information intermediaries). Information intermediaries decide not only which corporate disclosures will be tagged but also may apply an additional layer of proprietary rules to normalize the data or calculate quantitative/qualitative key performance indicators. Technologies like XBRL provide an opportunity for integrated report preparers to start exerting more control over their information distribution channels and communication to *all* financial capital providers – including those who require a structured, as-reported electronic data feed to populate their databases or analytical models. Otherwise there is a risk that the guiding principles and content elements carefully developed by the IIRC and implemented by report preparers do not govern, in the end, all the information that is consumed by the stated target audience. Information in integrated reports must ultimately be accessible and reusable by investors – XBRL enables both.

Specific Question Responses:

Chapter 1, Question 2: Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?

The CD states, “The integrated report may include links to other reports and communications.” We suggest changing “may include” to “recommends including links or references to other reports and communications where possible.” Using efficient, cross-references of information or data points without over cluttering a report is difficult to achieve in a paper report but easy to achieve using a technology like XBRL as the underlying reporting language. Corporate reports likely will include and share common information across them. Unlinked or unconnected reports and communications in this context will add to disclosure overload – this can be easily avoided through XBRL.

XBRL taxonomies define a commonly agreed upon set of terms that are applied to data in corporate reports to make the data comparable and consistent. Financial XBRL taxonomies such as US GAAP or IFRS ensure consistency of tagged data elements no matter in which reports those data points are included. For example, a US financial report line item such as “Cash and cash equivalents” would be tagged with the appropriate US GAAP XBRL tag. This tag remains linked/connected to the data element wherever it appears in the financial statement, sustainability report, management report and integrated report, ensuring the reliability and comparability of this information. Therefore, whether within a stand alone report or linked to many other reports, recurring data tagged in XBRL can easily be accessed, analyzed and compared using software that recognizes the standardized XBRL tags.

Chapter 1, Question 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?

If the IIRC decides to establish a database of key performance indicators (in collaboration with industry bodies, investors, preparers and other standard setters), we recommend that XBRL be incorporated into it. Data/information that can be easily measured, uniquely referred to, and XBRL-tagged using the globally agreed-upon coding standard will ultimately get *used and consumed* by investors. XBRL “linkbase” functionality is included within a taxonomy whereby links to appropriate explanatory

guidance and authoritative sources (e.g., US GAAP, IFRS, GRI, CDP) and their standards or frameworks can be included.

Chapter 2, Question 6. Please provide any comments you have about section 2B.

We would like to stress that XBRL is not just a language to tag *numeric* data in an integrated report. XBRL can be equally applied to *narrative* information, indicate relationships between data, and connect data or information within multiple locations in a single report or across multiple reports.

Chapter 3, Question 14: Please provide any other comments you have about Section 3E, “Reliability and Completeness.”

An important facet of a reliable, complete report is validation of the content. Structured XBRL data facilitates automated validation of submissions. Validation commonly can take place in pre-, during and post-submission phases. This ability to easily and automatically validate data increases assurance on XBRL data quality. Additionally, taxonomy build and maintenance processes ensure that valid, up-to-date and error-free taxonomies are always available to report preparers. XBRL-tagged data supports accurate and unambiguous information flow, which in turn combats misinterpretation and misrepresentation of reports submitted and published.

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

Connectivity of information discussed in Section 3B and the linkage of data within and between reports discussed in paragraphs 1.18-1.20 are closely related. As discussed in response to Chapter 1, Question 2, XBRL enables the connectivity of information repeated within a particular report or across a series of integrated reports in a standardized manner.

The BPB concurs with the CD paragraph 3.12 that states “...connectivity of information and the overall usefulness of an integrated report are enhanced when it is logically structured and well presented, written in clear and understandable language, and includes effective navigation devices, such as clearly delineated (but linked) sections and cross-referencing. In this context, information and communication technology (e.g., the Internet, eXtensible Business Reporting Language (XBRL), and social media) can be used to improve the intended report users’ capability to search, access, combine, connect, customize, re-use or analyse information.”

For these reasons, we believe an XBRL taxonomy should be developed and used for integrated reports to facilitate easy access, ‘searchability,’ analysis, reuse and connectivity of information within and between them.

Regarding paragraph 3.38, “Cost/Benefit,” the IIRC should not only consider costs to *prepare* integrated reports but also costs to access, process and use the data within them by the target audience. Users’ costs may arise from the need to export the data from an integrated report to internal databases or analytical spreadsheets for further analysis. Users may also incur costs discovering the relevant information, aggregating/disaggregating data or calculating ratios using their proprietary methodologies.

XBRL can significantly reduce the costs to access, process and use information in integrated reports and understand the data relationships.

Chapter 5, Question 21: Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above.

Section 5E, “Credibility,” discusses ways to provide assurance and credibility around information contained in integrated reports. As seen with our comment on Chapter 3, Question 14, XBRL enables automated validation of tagged data, thereby enhancing the credibility of information within an integrated report.

Regarding Section 5I, “Use of Technology,” the BPB agrees that technology enables innovative approaches to integrated reporting, including the use of XBRL to connect information within and between reports, helping to bring data clarity and transparency through the use of globally agreed-upon XBRL tags, and to ultimately help users of data within integrated reports easily consume and analyze the information.

Web-based reports referenced in paragraphs 5.37-5.39 perhaps provide the greatest opportunity and ability to demonstrate connectivity of information and the relationships between data points. Data tagged in XBRL can be disclosed in multiple formats, including on company web sites.

The BPB concurs with the benefits of XBRL included in paragraphs 5.40-5.41. We would also like to stress the extensible nature of XBRL for numerical and narrative disclosures in integrated reports, giving report preparers the flexibility to tell their own ‘story’ in the report – XBRL does not limit companies to producing ‘cookie-cutter’ reports. This helps companies find the balance between including comparable information that will be analyzed by users of such data across peer groups or industry sectors while also allowing preparers to have a unique story to tell. If report preparers use their own terminology in telling their story when reporting against the integrated reporting framework, comparability of reports can be difficult unless XBRL tagging is applied. Users need to understand what is really being reported. Content elements, capitals and other framework elements described in a given integrated report need to be XBRL tagged to identify the framework element to which they refer – this ensures comparability across reports. XBRL taxonomies can be developed to tag any part of an integrated report, whether narrative or numerical, as shown with existing financial reporting taxonomies (e.g., US GAAP, IFRS) as well as existing non-financial taxonomies (e.g., GRI).

Recommendations:

In addition to the comments and question responses above, the BPB recommends the following for IIRC's consideration as it moves forward with an integrated reporting framework:

1. Modify the language in Section 5.40 or future guidance material as follows: "One of the standardized technology platforms mandated by many regulators across the globe for financial, tax and other compliance reporting that may also be used for integrated reporting is XBRL."

As early as 2010, XBRL was discussed as the best reporting language to use as part of a global integrated reporting framework. In *The Landscape of Integrated Reporting; Reflections and Next Steps* from the Harvard Business School, several articles articulated the value of XBRL to the integrated reporting process.

- In *The Role of XBRL and IFRS in Integrated Reporting* by Maciej Piechocki and Olivier Servais, the value XBRL brings in terms of greater accuracy and speed when collecting, storing, exchanging and analysing information was clearly stated – "Issuers can compile reports more speedily and with less chance of error, while preparers can make better, more informed decisions because they have access to more timely and accurate data. Users and regulators can spend less time gathering information, which is also real-time and better quality, thus resulting in easier and improved analysis."²

The strongest case for making XBRL the preferred technology platform is reiterated in the draft framework itself in Section 5.41, stating that "XBRL improves the way information is created, processed, distributed and analysed by providing standardized definitions, labels, calculations, references and contexts applicable to individual numbers and narrative text."³

Further reasoning may be found in *Bringing Order to the Chaos: Integrating Sustainability Reporting Frameworks and Financial Reporting into One Report with XBRL* by Liv A. Watson and Brad J. Monterio – "Sector, country-specific and proprietary frameworks for reporting on sustainability are at odds with what the market needs today. Solutions need to be global, uniform, consistent, comparable with current needs and extensible to meet current and future needs; they need to help the market understand an organization's sustainability practices, no matter in which country or industry sector they operate."⁴

2. Participate in a proof of concept for XBRL tagging an integrated report

In order to demonstrate how an integrated report can be tagged using the XBRL interactive data standard and show the benefits of doing so, the BPB recommends that the IIRC consider participating in a proof of concept (POC) project with experts from the global XBRL community. A focused POC would include creating a small, sample integrated reporting XBRL taxonomy (a standardized dictionary of terms to be used to consistently XBRL tag the information) to illustrate the tagging process, demonstrate connectivity of information and other benefits that may accrue to users of financial reports.

² *The Landscape of Integrated Reporting; Reflections and Next Steps*, Harvard Business School, Page 156.

³ IIRC Consultative Draft Section 5.41, page 35.

⁴ *The Landscape of Integrated Reporting; Reflections and Next Steps*, Harvard Business School, Page 160.

3. Form an exploratory XBRL working group

Assuming a successful POC, likely next steps would include scoping out the process to develop an XBRL taxonomy for the integrated reporting framework. An exploratory XBRL working group comprised of experts from the global XBRL community along with members of the IIRC staff and/or working groups could undertake this effort.

4. Collaborate with XBRL International and the Best Practices Board

Where possible, proactive participation and collaboration with XBRL International and its various boards, including the Best Practices Board, will enhance IIRC's XBRL knowledge and understanding of how the technology can be used to support integrated reporting. This will also benefit XII as it explores additional uses and application of XBRL.

Thank you for the opportunity to provide feedback on the CD. The BPB is available to discuss our comments and recommendations with you at any time.

Sincerely,



Makoto Koizumi, Chair
Best Practices Board
XBRL International, Inc.