INTEGRATED REPORTING <IR>

Opening Remarks to the Investor Advisory Committee

Presented by Lisa French, Chief Technical Officer
International Integrated Reporting Council

July 14, 2016

Good morning and thank you very much for this opportunity to weigh into today's discussion. The International Integrated Reporting Council (IIRC) is pleased to reinforce some of the key remarks that it is providing in its written response to the SEC's Concept Release. We are also pleased to echo or reinforce some of the points and perspectives raised by our colleagues at the Global Reporting Initiative and the Sustainability Accounting Standards Board. I should note that both of these organizations are fellow participants of the IIRC-convened Corporate Reporting Dialogue.

If I could spend a few moments providing some background on the IIRC, we are a coalition of some 70 organizations around the world. We represent businesses, investors, policy-makers, the accounting profession and civil society. When we came together, or when our three co-convenors came together in 2011 (for the record, those co-conveners were the International Federation of Accountants, the Global Reporting Initiative and Accounting for Sustainability), they had a shared concern. That concern was that traditional financial reporting was failing to convey to capital markets the full range of factors that can materially influence a company's ability to create value in the longer term. They were concerned that key 'non-financial' factors and/or intangible drivers or 'eroders' of value were going unaddressed in corporate reports and, therefore, not being adequately reflected in investor decision making.

These non-financial factors and intangibles *include* sustainability matters and, for that reason, we are pleased to see that sustainability matters, in the form of social and environmental issues, are on the table in the SEC's Concept Release. But I should point out that the IIRC believes that this is just the start; this is only part of the equation. Imagine you are a company in Silicon Valley – how and where are you reporting on the importance of your innovative culture, your intellectual capital or your ability to attract and retain the best and brightest minds in your industry? If you are a retail bank, how and where are you reporting on the reliability, efficiency and strategic positioning of your key infrastructure, namely your branches and ATMs? And finally, if you're an electronics company working with your competitors to elevate manufacturing standards, how and where are you reporting on the quality of these strategic partnerships and industry collaborations?

So, the IIRC encourages companies to look along the lines of six forms of capital, which are financial capital, manufactured capital (or infrastructure), intellectual capital, human capital, social capital and natural capital. On the basis of this six-capitals approach, it is actually a misnomer to call the International <IR> Framework a sustainability reporting framework. That said, like our colleagues at the Global Reporting Initiative and Sustainability Accounting Standards Board, the IIRC does campaign for more effective integration of social and environmental issues into the core investor document. I think where we differ slightly is that we are looking at a broader bandwidth of factors that we believe companies should consider and disclose in their reports.

One of the key differences between the International <IR> Framework and other frameworks is that ours does not go down the path of performance indicators or metrics. Quite frankly, we don't think that this is where the IIRC adds value. And we have little interest in duplicating or replicating the efforts of other standards and frameworks that have created these metrics and methodologies. Rather, we focus on encouraging companies to discuss and connect fundamentals like business model, strategy, governance, performance and prospects. That narrative, much like the intent of the Management Discussion and Analysis, should provide the context and connectivity behind the numbers. It should also provide an indication of the company's direction of travel.

Of course, the narrative necessarily becomes all the more compelling and useful when it is substantiated by quantitative evidence and, ideally, auditable or assurable evidence. So, we would expect and, in fact, encourage companies to look to existing standards and frameworks, including those provided by the Global Reporting Initiative, the Sustainability Accounting Standards Board and other sustainability reporting framework developers. By the same token, we would expect companies, in expressing or quantifying their financial performance, to look to existing financial reporting standards. So, I raise this difference not to distance ourselves from the pack, but rather to demonstrate the complementarities that we see between the International <IR> Framework and other frameworks.

I'd like to raise three pillars or core priorities that drive the IIRC's work. The first of those pillars responds to the fact that at any given moment, a provider of financial capital is investing in or divesting from the company's future, not its past. And yet, we continue to see a very disproportionate focus on past performance, primarily past financial performance. Now, the IIRC is not undermining the importance of accountability for the use of invested capital; quite the contrary. But we are asking, *'Where is the information about strategy, outlook and the longer-term viability of the business model?'* All of these factors, of course, are influenced by the company's external environment – by market trends, the introduction of new technology, changing demographics and so on. So, a key emphasis of our work is strategic focus and future orientation.

The second area that is a key pillar for the IIRC responds to our concern over the growing volume and complexity of corporate disclosures and, in particular, the excessive use of boilerplate and legalese. So, a second priority for us is a focus on simplicity, conciseness and the use of plain language.

The third area that is a key priority for the IIRC responds to our concern about the siloed nature of today's corporate disclosures, both within a single annual report and across a company's suite of communications. So, connectivity of information is key to our work.

I raise these three priorities to demonstrate that, although we have a seat at the table here today by virtue of our connection to sustainability reporting, we could equally and eagerly contribute to some of the other topics contemplated in the SEC's Concept Release. This includes the sections on business strategy reporting, proposed MD&A reforms and measures that aim to reduce the volume and complexity of disclosures, including incorporation by reference and layered disclosure. So, I hope that these three points help to clarify the IIRC's relative positioning in the corporate reporting landscape and emphasize that we see strong alignment between Integrated Reporting and the ideology that underpins the Management Discussion and Analysis.

I'll close my remarks by offering a comment on the value that we see the International <IR> Framework providing. Quite simply, we believe that integrated reports that are prepared in accordance with our Framework provide more decision-useful information to capital markets because they address the fuller range of factors that can materially influence an organization's ability to deliver value, now and in the longer term.

There are thousands of companies around the world that are on the path to Integrated Reporting and underpinning this reporting is systems thinking, or integrated thinking. So, the IIRC is often quick to point out that, yes, the product of the process of Integrated Reporting is the integrated report. But that is not the end goal. Ultimately, what the IIRC is trying to do is influence, or help shape, the way that capital markets make their decisions and allocate resources based on a more holistic understanding of the factors that drive or erode value creation.

Once again, thank you very much for this opportunity.

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IIRC Comment Letter

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SEC Concept Release on
Business and Financial Disclosure
Required by Regulation S-K

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File No. S7-06-16

INTEGRATED REPORTING <IR>

Brent J. Fields
Secretary
United States Securities and Exchange Commission
100 F Street, N.E.
Washington, D.C. 20549

20 July 2016

Reference: Concept Release – Business and Financial Disclosure Required by Regulation S-K (File No. S7-06-16)

Dear Mr. Fields,

The International Integrated Reporting Council (IIRC) is pleased to contribute to the Securities and Exchange Commission's consultation on the above-referenced Concept Release. This submission supplements the views expressed during our July 14, 2016 presentation to the Commission's Investor Advisory Committee.

The IIRC is a global coalition of regulators, investors, companies, standard setters, the accounting profession and non-governmental organizations. The coalition promotes communication about value creation as the next step in the evolution of corporate reporting. Our vision is to align capital allocation and corporate behavior to the wider goals of financial stability and sustainable development through the cycle of integrated reporting and thinking. Organizations around the world – including SEC registrants – are applying the International <IR> Framework to communicate a clear, concise and integrated story that explains how activities and resources create value. Launched in December 2013, the International <IR> Framework helps businesses to think more holistically about their strategy and plans, make better-informed decisions and manage key risks to build investor and stakeholder confidence and improve performance.

Based on our review of the Concept Release, we see considerable opportunity for alignment in the following areas:

- Principles-based requirements
- Reporting on business strategy
- Reporting on intellectual capital
- Provision of executive-level overviews
- MD&A proposals, including those related to improved connectivity, the mutually supportive role of quantitative and qualitative information and disclosures on the materiality assessment process
- Measures to enhance risk disclosures
- Disclosure of information on sustainability matters
- Measures aimed at reducing disclosure volume, complexity and boilerplate, including cross-referencing, incorporation by reference, hyperlinks and layered disclosure

We are pleased to share our views on these and other matters throughout the course of this submission. Should you have any questions, please do not hesitate to contact us.

Kind regards,

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Chief Technical Officer
International Integrated Reporting Council

IIRC RESPONSE TO CONCEPT RELEASE QUESTIONS

III. Disclosure Framework

B. Nature of our Disclosure Requirements

1. Principles-Based and Prescriptive Disclosure Requirements

Q7 Should we limit prescriptive disclosure requirements and emphasize a principles-based approach? If so, how? How can we most effectively balance the benefits of a principles-based approach while preserving the benefits of prescriptive requirements?

We support a principles-based approach, one that emphasizes the importance of the registrant's assessment of materiality. This approach acknowledges the potential uniqueness of registrants based on industry, region, size or other factors and, on this basis, the inappropriateness of a blanket rule for all. A principles-based approach further acknowledges that the concept of 'what is material to investors' can shift or evolve over time.

By contrast, prescriptive requirements can lead to the disclosure of immaterial information, adding unnecessary volume and potentially obscuring more pertinent disclosures. Furthermore, a rules-based approach can have the unintended consequence of instilling a 'compliance mindset', one that loses sight of the purpose of reporting and undermines the internal benefits that reporting should evoke.

In addition to a move towards a principles-based approach, we support the issuance of supplementary guidance from time to time to assist registrants in the types of assessments to be made and to reinforce the spirit and intent of the materiality principle.

Q8 What are the advantages and disadvantages of a principles-based approach? Would a principles-based approach increase the usefulness of disclosures? What would be the costs and benefits of such an approach for investors and registrants?

We believe that a principles-based approach provides the advantages of:

- Encouraging a focus on material information, based on registrants' unique circumstances
- Discouraging the inclusion of immaterial information, which adds volume and boilerplate and obscures more relevant disclosures
- Acknowledging that the concept of 'what is material to investors' can change over time
- Shifting the perception of reporting from a compliance-based exercise to one that encourages the consideration of cause and effect, interdependencies and trade-offs between factors, leading to better-informed decisions by users and registrants.

By contrast, a rules-based approach applies a blanket requirement to all registrants and potentially opens the door to immaterial disclosures and boilerplate. Such disclosures, in turn, add unnecessary volume and obscure more relevant information. We believe that this additional information detracts from, rather than enhances, the utility of disclosed information. On this basis, and for the four advantages cited above, we believe that a principles-based approach increases the usefulness of disclosures.

The primary challenge of a principles-based approach is that with flexibility comes judgment and the potential for selective disclosure and/or an abuse or misapplication of the materiality principle. We believe that the enforcement of disclosure requirements and the provision of illustrative guidance are important strategies for mitigating these risks.

2. Audience for Disclosure

Q16 Commenters have suggested that disclosure should be written for a more sophisticated investor than current disclosure appears to contemplate, and that tailoring disclosure to less sophisticated investors contributes to excessive disclosure. Should our disclosure requirements be revised to address these views? If so, how could we revise our disclosure requirements, and which requirements should we revise, to encourage more appropriately targeted disclosure? If we revised our disclosure requirements to address these views, would there be any harm or costs to investors?

We believe that certain fundamental information– including how a registrant's strategy, governance, performance and prospects, in the context of its external environment, contribute to value creation over time – is of universal importance. The absence of such information and, in particular, the failure to adequately connect these elements in the core investor filing, would deprive investors (of all levels of sophistication) of decision-useful information. We would, therefore, caution against: (1) presuming a specialized knowledge of these core elements among a fragment of users and (2) encouraging the omission of such information.

Notwithstanding the above, we echo concerns over the growing volume and complexity of corporate disclosures. However, in our view, such concerns are more appropriately addressed by:

- Reinforcing the materiality principle as a first 'filter' for defining disclosure content
- Reinforcing existing Plain English Rules to limit complexity, boilerplate and duplication
- Emphasizing the need for reasonable judgment when navigating the principles of completeness and conciseness
- Considering the role that cross-referencing, incorporating by reference, hyperlinks and layered disclosure can play in reducing volume and improving readability and navigability.

These and other measures are addressed in Paragraph 3.38 of the *International <IR> Framework*.

3.38 The organization seeks a balance in its integrated report between conciseness and the other Guiding Principles, in particular completeness and comparability. In achieving conciseness, an integrated report:

- Applies the materiality determination process described in Section 3D
- Follows a logical structure and includes internal cross-references as appropriate to limit repetition
- May link to more detailed information, information that does not change frequently (e.g., a listing of subsidiaries), or external sources (e.g., assumptions about future economic conditions on a government website)
- Expresses concepts clearly and in as few words as possible
- Favours plain language over the use of jargon or highly technical terminology
- Avoids highly generic disclosures, often referred to as "boilerplate", that are not specific to the organization.

IV. Information for Investment and Voting Decisions

A. Core Company Business Information

1. General Development of Business (Item 101(a)(1))

Q27 Should we revise Item 101(a)(1) to require disclosure of a registrant's business strategy? Would investors find such a disclosure important or useful? If so, should this requirement be included in a registrant's MD&A? Should we define "business strategy"? If so, how?

We support the proposed inclusion of business strategy in Item 101(a)(1). This move recognizes, perhaps informally, that with each buy or sell decision, investors are effectively opting into or out of a company's future. On this basis, we believe that registrants have a duty to indicate where the organization wants to go and how it intends to get there. The proposed revision also aligns with regional and global trends in corporate reporting, whether through mandatory or voluntary initiatives. For example:

- Part 2 of the United Kingdom's Companies Act 2006 (Strategic Report and Directors' Report) Regulations 2013 describes the duty of company directors to prepare a strategic report for each financial year.

- The International <IR> Framework (2013) embeds strategy as a Guiding Principle ('Strategic focus and future orientation') and a Content Element ('Strategy and resource allocation'). Paragraph 4.28 of the Framework encourages four related disclosures, as shown below.

> 4.28 An integrated report ordinarily identifies:
>
> - The organization's short, medium and long term strategic objectives
> - The strategies it has in place, or intends to implement, to achieve those strategic objectives
> - The resource allocation plans it has to implement its strategy
> - How it will measure achievements and target outcomes for the short, medium and long term.

- CPA Canada's Management's Discussion and Analysis – Guidance on preparation and disclosure (2014) embeds strategy as a General Disclosure Principle ('Strategic perspective') and as an element of the disclosure framework ('Objectives and strategy'). Section 3.3 of the Guidance includes a list of recommended disclosures on strategy.

As noted in Paragraph 7.4 of the Financial Reporting Council's **Guidance on the Strategic Report** (2014), *"Strategy, objectives, and business model are inter-related concepts. Different businesses may use different terms for these concepts and/or may approach them in a different order."* Given the potential for confusion among registrants – and in the interest of clarity, consistency and comparability – we support the development of a business strategy definition. As a starting point, the Commission might consider the definition provided in the FRC's Guidance: *"A plan or approach (that) is intended to help the entity achieve an objective."*

We strongly support the inclusion of this requirement in the MD&A. In expressing this support, however, we note a potential misalignment between the proposed revision and the basic and overriding requirement of the MD&A – as clarified in the Commission's Release Nos. 33-8056; 34-45321; FR-61 – to *"provide such other information that the registrant believes to be necessary to an understanding of its financial condition, changes in financial condition and results of operations."* With its emphasis on contextualizing past (and primarily financial statement) performance, the addition of strategic information is conceivably at odds with the stated purpose of the MD&A. We raise this perceived misalignment not as a deterrent for including business strategy in the MD&A, but rather to encourage the Commission to revisit and clarify the primary purpose of the MD&A. In particular, we encourage the Commission to consider broadening the purpose of the MD&A from placing the financial statements into context to placing the business into context.

Q42 Should we retain the current scope of Item 101(c)(1)(iv), which requires disclosure of a registrant's patents, trademarks, licenses, franchises and concessions? Should we expand the rule to include other types of intellectual property, such as copyrights? Should we remove the individual categories and instead require disclosure of "intellectual property"? If so, should we define that term and what should it encompass?

Intellectual capital can, depending on the registrant, have a material influence on value creation. With this in mind, the International <IR> Framework includes intellectual capital as one of six categories of capitals to consider when preparing integrated reports. Paragraph 2.15 of the Framework defines intellectual capital as:

Organizational, knowledge-based intangibles, including:

- *intellectual property, such as patents, copyrights, software, rights and licences*
- *"organizational capital" such as tacit knowledge, systems, procedures and protocols*

On this basis, we encourage the Commission to broaden the scope of Item 101(c)(1)(iv) to reflect the fuller range of considerations shown above. However, we reiterate our support for a principles-based approach over prescribed line items for the reasons provided in Q7 and Q8.

B. Company Performance, Financial Information and Future Prospects

3. Content and Focus of MD&A (Item 303 - Generally)

b. Quality and Focus of Analysis

Q91 Should we revise our rules to require registrants to provide an executive-level overview? If so, should our rules prescribe the information that must be covered? What would be the benefits and challenges of prescribing the content of the overview and what content should we require? For example, should we require an executive-level overview to discuss the most significant accounting estimates and judgments? Should any requirement for an executive-level overview be limited to registrants of a certain size?

We support the provision of an executive-level overview, subject to page or word count limitations. We believe that in preparing an overview – one that provides context and demonstrates connections – registrants are inclined to focus on the most salient and decision-useful information, to the benefit of users. We recommend that the Commission prescribe required content elements in the form of 'disclosure categories', rather than specific line items. Disclosure categories should include: (1) business model information, (2) strategy, (3) performance summary, (4) outlook and (5) significant risks and opportunities. These categories align with the Content Elements of the International <IR> Framework.

Smaller entities should not be exempt from the executive-level overview on the basis that, in our view, its preparation provides both internal and external benefits.

Q92 If we were to require an executive-level overview, how could we encourage registrants to provide an overview that does not simply duplicate disclosure provided elsewhere?

To safeguard against this risk, we recommend that the Commission impose a limit on the length of the overview and reinforce the need for a synthesis of information (i.e., drawing connections between the most salient points) over a pure summary of information.

Q93 Are there other methods that registrants could employ or new rules that we should consider that would result in more meaningful analysis in MD&A?

Integrated Reporting strives to reduce the siloes in current corporate disclosures. Connectivity of information is, therefore, an important Guiding Principle in the International <IR> Framework. On this basis, we recommend that the rules on MD&A emphasize more strongly the importance of connecting disclosed information. In particular, the rules should prompt registrants to consider the causes and effects, interdependencies and trade-offs between reported matters.

d. Key Indicators of Financial Condition and Operating Performance

Q103 Should we revise Item 303 to include a principles-based requirement for all registrants to disclose performance metrics and other key variables important to their business? Why or why not?

The MD&A provides context and connectivity to facilitate user decision making. We believe that this narrative becomes all the more persuasive and decision-useful when it is substantiated by quantitative, and ideally assurable, information. We, therefore, support the proposed principles-based approach to including metrics and other variables.

We would caution against the prescription of specific metrics on the basis that they are unlikely to be universally applicable. This approach, we believe, might introduce a false sense of comparability and impose undue reporting burden on registrants, while offering limited incremental benefit to users.

Q104 Should we require disclosure of any commentary, analysis, performance indicators or business drivers related to a registrant's key indicators? If so, why? For example, would it be feasible to adopt prescriptive requirements for discussion of specific performance metrics that are applicable to an entire industry and are easily comparable between registrants?

As noted in Q103, we believe that robust qualitative and quantitative disclosures go hand in hand. Indicators or metrics serve to substantiate assertions made in the narrative. Similarly, a concise and meaningful commentary is an important accompaniment to quantitative disclosures, insofar as it provides context and demonstrates connections. In principle, therefore, we support any revision aimed at encouraging a joint qualitative and quantitative assessment of a particular matter. In practice, however, we are mindful that it may be difficult or cost-prohibitive to quantify a particular matter or identify its reasonable proxy. We also recognize the potential challenges in identifying performance metrics that apply to all participants of an industry. A registrant's size, region, business model or other factors may render it an exception to the rule. In such instances, prescriptive requirements are inclined to generate boilerplate and impose undue reporting burden with little to no incremental benefit to users.

4. Results of Operations (Item 303(a)(3)

Q112 Does the disclosure required by Item 303(a)(3) provide useful information about registrants that have not yet generated revenue or begun operations? Would additional disclosure about these registrants, such as a description of their plans of operations be more useful to investors? If so, what additional information, if any, that is not already required under Item 101(a)(2) would be useful to investors?

We believe that disclosures about business model and strategy are fundamental to any analysis; they are particularly meaningful for registrants that have yet to initiate operations or generate revenue.

The International <IR> Framework defines the term business model as *"an organization's system of transforming inputs through its business activities into outputs and outcomes that aims to fulfil the organization's strategic purposes and create value over the short, medium and long term."* A considered analysis of inputs, outputs and outcomes can surface key dependencies or impacts. This information, in turn, can highlight material vulnerabilities or opportunities of which investors should be aware.

8. Critical Accounting Estimates

Q142 Should we require the disclosure of management's judgments and estimates that form the basis for MD&A disclosure? For example, should we require registrants to disclose the quantitative and qualitative factors that form its assessment of materiality? Should we require registrants to disclose how they assessed materiality?

Between April 16 and July 15 2013, the IIRC invited feedback on its Consultation Draft to the International <IR> Framework. In response to the question, '**Should there be a requirement to disclose the materiality determination process in the integrated report?**', providers of financial capital generally described this disclosure as *"an important window into the (report preparer's) relevant processes and priorities."* (Reference: Summary of Significant Issues, p. 36). On this basis, we support the disclosure of the materiality assessment process and offer the following excerpt from the International <IR> Framework for the Commission's consideration (underline added for emphasis).

> 4.42 An integrated report includes a summary of the organization's materiality determination process and key judgments (see paragraphs 3.18– 3.20). This may include:
>
> - Brief description of the process used to identify relevant matters, evaluate their importance and narrow them down to material matters
> - Identification of the role of those charged with governance and key personnel in the identification and prioritization of material matters.
>
> A link to where a more detailed description of the materiality determination process can be found may also be included.

As noted in Paragraph 4.42 above, organizations are encouraged to provide a summary of the materiality determination process, as well as links to more detailed process information as appropriate. In our view, detailed process information is a natural candidate for layered disclosure (please see our response to Q329) through the use of cross-referencing, incorporation by reference or hyperlinks (please see our response to Q297).

C. Risk and Risk Management

1. Risk Factors (Item 503(c))

Q145 How could we improve risk factor disclosure? For example, should we revise our rules to require that each risk factor be accompanied by a specific discussion of how the registrant is addressing the risk?

We agree that risk factor disclosure should include a description of specific measures taken to manage each risk factor's probability of occurrence and/or effect on performance. This is consistent with Paragraph 4.23 of the International <IR> Framework, which states: *An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?*

Q146 Should we require registrants to discuss the probability of occurrence and the effect on performance for each risk factor? If so, how could we modify our disclosure requirements to best provide this information to investors? For example, should we require registrants to describe their assessment of risks?

We support disclosures about each risk factor's probability of occurrence and effect on performance. Paragraph 4.25 of the International <IR> Framework encourages organizations to provide an *"assessment of the likelihood that the risk or opportunity will come to fruition and the magnitude of its effect if it does. This includes consideration of the specific circumstances that would cause the risk or opportunity to come to fruition. Such disclosure will invariably involve a degree of uncertainty."*

Q147 How could we modify our rules to require or encourage registrants to describe risks with greater specificity and context? For example, should we require registrants to disclose the specific facts and circumstances that make a given risk material to the registrant? How should we balance investors' need for detailed disclosure with the requirement to provide risk factor disclosure that is "clear and concise"? Should we revise our rules to require registrants to present their risk factors in order of management's perception of the magnitude of the risk or by order of importance to management? Are there other ways we could improve the organization of registrants' risk factors disclosure? How would this help investors navigate the disclosure?

As noted in our response to Q145, we believe that risk analyses can be improved by including a discussion of the measures taken to manage each risk factor's effects and/or probability of occurrence. And, as noted in our response to Q146, we support disclosures about each risk factor's probability of occurrence and effect on performance. We agree with the proposed ranking of risk factors in order of highest to lowest priority based on their perceived magnitude or probability of occurrence. We further believe that improbable, low-impact or non-entity-specific risk factors are natural candidates for layered disclosure (please see our response to Q329) through the use of cross-referencing, incorporation by reference or hyperlinks (please see our response to Q297). The proposal for layered disclosure balances the need for meaningful, sufficiently-detailed risk analyses against mounting concerns over disclosure volume.

Q152 Should we require registrants to identify and disclose in order their ten most significant risk factors without limiting the total number of risk factors disclosed? If so, should other risk factors be included in a separate section of the filing or in an exhibit to distinguish them from the most significant risks? Alternatively, should we require registrants to provide a risk factors summary in addition to the complete disclosure? Would a summary help investors better understand a registrant's risks by highlighting certain information? Are there challenges associated with requiring a summary of the most significant risks?

We believe that the practice of including non-entity-specific risks or a list of all conceivable risk factors detracts from the utility of disclosures by obscuring material information. We, therefore, agree with the proposal to rank risks or otherwise categorize them into tiers of relative priority. As noted in our response to Q147, we believe that improbable, low-impact or non-entity-specific risks factors are natural candidates for layered disclosure (please see our response to Q329) through the use of cross-referencing, incorporation by reference or hyperlinks (please see our response to Q297). The proposal for layered disclosure balances the need for meaningful, sufficiently-detailed risk analyses against mounting concerns over disclosure volume.

As noted in our response to Q91, we support the preparation of an executive-level overview, subject to size limitations. In this executive-level overview, we strongly support the inclusion of a short-list or ranking of, for example, the registrant's top five risk factors. We believe that their coverage in the executive-level overview should be brief, with more fulsome disclosures provided in the body of the report or filing.

3. Disclosure of Approach to Risk Management and Risk Management Process

Q174 How could we facilitate a more integrated discussion of risk exposure and risk mitigation? Should we require registrants to disclose management's view of how material risk exposures are related and how risk mitigation actions are connected?

As noted in our response to Q145, we believe that risk disclosures should include a description of specific measures taken to manage or mitigate the probability or effect of risk factors on performance or prospects. This is consistent with Paragraph 4.23 of the International <IR> Framework, which states: *An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?* It is useful, in our view, to extend this analysis to include a brief commentary on the perceived effectiveness of those measures, through the eyes of management. We further believe that registrants' careful consideration of causes and effects, interdependencies and trade-offs between risk factors provides internal and external benefits. We, therefore, support the proposed requirement to include management's view of how material risk exposures are related and how risk mitigation actions are connected.

Connectivity of information is a Guiding Principle of the International <IR> Framework -- in our view, the Commission's proposed revision aligns with and reinforces our philosophy.

In addition to revising and clarifying the risk disclosure requirements, we believe that continued enforcement of these requirements and the provision of illustrative guidance are important supplementary measures.

F. Disclosure of Information Relating to Public Policy and Sustainability Matters

As an opening remark to this section, we encourage the Commission to re-consider its use of the term 'public policy and sustainability matters' to describe this body of information. In our view, this terminology may have the unintended consequence of marginalizing such information as 'non-core' to business. With this in mind, the International <IR> Framework limits its own use of the word 'sustainability' (which in any case carries mixed interpretation), favoring instead to apply capitals-based terminology (i.e., financial, manufactured, intellectual, human, social and relationship, and natural capital). So long as registrants view these issues through the lens of 'furthering political agendas' or simply 'doing good', they may continue to overlook the issues' direct impacts on business model, strategy, risks and opportunities, and outlook. We encourage further discussion on appropriate terminology to ensure that such information is recognized as central to business and, therefore, integrated effectively into the core investor document.

We support the approach – terminology and otherwise – taken in the Commission's *2010 Interpretive Guidance on Climate Change*, which reinforced existing disclosure requirements as applied to climate change matters. This approach reminded issuers of existing obligations (under federal securities laws and regulations) in relation to material matters, and did not reposition climate change as a material 'sustainability' matter. Our caution is that the sustainability modifier may impede the effective integration of 'non-traditional' matters into the reporting-to-investors fold.

Q216 Are there specific sustainability or public policy issues are important to informed voting and investment decisions? If so, what are they? If we were to adopt specific disclosure requirements involving sustainability or public policy issues, how could our rules elicit meaningful disclosure on such issues? How could we create a disclosure framework that would be flexible enough to address such issues as they evolve over time? Alternatively, what additional Commission or staff guidance, if any, would be necessary to elicit meaningful disclosure on such issues?

We would caution against the application of a blanket rule to all registrants, regardless of their size, region or industry. As with all disclosures, the importance of a materiality assessment should be emphasized to ensure that disclosures remain relevant, concise and meaningful to investor decision making. From the IIRC's perspective, a matter is material if it could substantively affect the company's ability to create value in the short, medium or long term. This lens considers the matter's potential effect on strategy, governance, performance or prospects.

Notwithstanding the above caution, we believe that topic-specific disclosure requirements are more feasible at the industry level, again bearing in mind that company size, region and other factors can create exceptions to the rule. We would encourage the Commission to consult with developers of sustainability reporting standards and frameworks, some of whom participate in the IIRC-convened Corporate Reporting Dialogue. For a list of relevant participants, please see the 'Dialogue participants' section at the bottom of http://corporatereportingdialogue.com/.

To elicit meaningful disclosures on these issues, we support an approach that:

- Reinforces existing disclosure obligations as they pertain to all material matters
- Avoids terminology that marginalizes these issues or creates the impression of 'non-core' or 'second tier' information (please see our opening remarks to Section F, above)
- Encourages the demonstration of connections between material matters and, for example, the registrant's business model, strategy, performance, outlook and risks and opportunities
- For a given issue, provides illustrative guidance on the key factors to be considered
- Enforces disclosure requirements through various means, including comment letters to registrants.

Q217 Would line-item requirements for disclosure about sustainability or public policy issues cause registrants to disclose information that is not material to investors? Would these disclosures obscure information that is important to an understanding of a registrant's business and financial condition? Why or why not?

Please see our response to Q216.

Q218 Some registrants already provide information about ESG matters in sustainability or corporate social responsibility reports or on their websites. Corporate sustainability reports may also be available in databases aggregating such reports. Why do some registrants choose to provide sustainability information outside of their Commission filings? Is the information provided on company websites sufficient to address investor needs? What are the advantages and disadvantages of registrants providing such disclosure on their websites? How important to investors is integrated reporting, as opposed to separate financial and sustainability reporting? If we permitted registrants to use information on their websites to satisfy any ESG disclosure requirement, how would this affect the comparability and consistency of the disclosure?

As noted, some registrants provide stand-alone sustainability or CSR reports on their websites. This practice often stems from registrants' commitment to transparency and accountability to a broader range of stakeholders, including customers, employees, supply chain partners and local communities. The practice might also stem from requirements imposed by local governments, supply chain partners, investors or other constituencies. Registrants might choose to exclude some or all of this information from Commission filings on the basis that they believe it to be immaterial to investor decision making (and/or because it was derived or prepared according to a different materiality approach).

We believe that these stand-alone reports are insufficient to address investor needs on the basis that they contain a blend of material and immaterial information for investor purposes. Moreover, some sustainability reports are selective in their presentation of information and cast the company in a more positive light. This approach – by no means applied across the board – has an unfortunate spillover effect on those companies that vigorously uphold the principles of balance, neutrality and reliability in support of investor-grade information. Finally, we believe that it is inappropriate to expect investors to consult separate reports or web-based information; this effectively shifts the onus of discerning the 'material' from the 'immaterial' to the provider of funds rather than the seeker of those funds. The factors listed in this paragraph are, in our view, the key disadvantages of providing such disclosure on the website.

Notwithstanding these considerations, we continue to see advantages to stand-alone, web-based sustainability reports in relation to non-investor audiences. Sustainability reports fulfil a range of objectives, including attracting and retaining employees, meeting the expectations of governments, supply chain partners and civil society, and solidifying the entity's social license to operate. We further believe that the extensive historical data, case studies and examples provided in web-based sustainability reports can usefully supplement related disclosures in the core investor filing. Please see our response to Q297, which describes our distinction between core and supplementary information for investor decision making and recommends judicious use of cross-referencing, incorporation by reference or hyperlinks.

Our global coalition of some 70 organizations – which includes regulators, investors, companies, standard setters, the accounting profession and non-governmental organizations – supports the vision that the cycle of integrated reporting and thinking can align capital allocation and corporate behavior with the wider goals of financial stability and sustainable development. With their long-term investment horizons, pension funds and superannuation funds are particularly supportive of the Integrated Reporting movement, as are those who subscribe to a value- or fundamental-analysis approach to investment. On this basis, we discourage investor reliance on separate sustainability or CSR reports. We believe this approach is subject to several flaws, including:

- Potential inclusion of material and immaterial information (for investor purposes) in sustainability reports
- Onus of discerning materiality and establishing links shifts to investors, introducing inference and inefficiencies
- Potential for selective disclosure and/or non-investor-grade information in sustainability reports
- Unclear connections across separate reports and lack of a cohesive analysis through the eyes of management
- Sub-optimal approach to risk detection and investment decision making.

Q219 In an effort to coordinate ESG disclosures, several organizations have published or are working on sustainability reporting frameworks. Currently, some registrants use these frameworks and provide voluntary ESG disclosures. If we propose line-item disclosure requirements on sustainability or public policy issues, which, if any, of these frameworks should we consider in developing any additional disclosure requirements?

Please see our opening remarks to Section F regarding the use of terminology such as 'sustainability or public policy issues', which we believe marginalizes such information and impedes its effective integration into the core investor document. Please see our response to Q216 for our views on line-item disclosure requirements.

In terms of the Commission's consideration of existing sustainability reporting standards and frameworks, we would point to related participants of the IIRC-convened Corporate Reporting Dialogue. For a list of participants, please see the 'Dialogue participants' section at the bottom of http://corporatereportingdialogue.com/.

Q220 Are there sustainability or public policy issues for which line-item disclosure requirements would be consistent with the Commission's rulemaking authority and our mission to protect investors, maintain fair, orderly and efficient markets and facilitate capital formation, as described in Section III.A.1 of this release? If so, how could we address the evolving nature of such issues and keep our disclosure requirements current?

Please see our opening remarks to Section F concerning the use of terminology such as 'sustainability or public policy issues', which we believe marginalizes such information and impedes its effective integration into the core investor document. Please see our response to Q216 for our views on line-item disclosure requirements.

Q221 What, if any, challenges would registrants face in preparing and providing this information? What would be the additional costs of complying with sustainability or public policy line-item disclosure requirements, including the administrative and compliance costs of preparing and disseminating disclosures, beyond the costs associated with current levels of disclosure? Please quantify costs and expected changes in costs where possible.

Please see our opening remarks to Section F concerning the use of terminology such as 'sustainability or public policy issues', which we believe marginalizes such information and impedes its effective integration into the core investor document. Please see our response to Q216 for our views on line-item disclosure requirements.

The first challenge, for some registrants, will be the application of the materiality assessment to 'unconventional' or non-monetized information. Some will experience a longer learning curve, in terms of applying systems (or integrated) thinking to drawing connections to business model, strategy, outlook, risks and opportunities. A second challenge might be the investment (of time, people and funds) into measuring and monitoring new information and ensuring that such information is reliable, credible and, to the extent possible, assurable.

We are optimistic that many registrants have overcome, or are in the process of overcoming, both of these challenges. In terms of the first challenge, we view the application of systems (or integrated) thinking to the materiality assessment as a demonstration of sound management practice, one that underpins longer-term success. This process elevates the act of reporting from a compliance or 'non-value added' exercise to one that provides inherent benefits to the registrant and, therefore, to its providers of financial capital. With regard to the second challenge, we believe that such investments – despite their short-term resource intensity – are becoming a necessary cost of doing business, one that yields the longer-term benefits of improved efficiency, enhanced decision making and social license to operate.

Q222 If we propose line-item disclosure requirements that require disclosure about sustainability or public policy issues, should we scale the disclosure requirements for SRCs or some other category of registrant? Similarly, should we exempt SRCs or some other category of issuer from any such requirements?

Please see our opening remarks to Section F concerning the use of terminology such as 'sustainability or public policy issues', which we believe marginalizes such information and impedes its effective integration into the core investor document. Please see our response to Q216 for our views on line-item disclosure requirements.

As a reinforcement of existing disclosure obligations, we see no reason to limit or exempt issuers, based on company size, from reporting on material matters. However, based on the challenges outlined in Q221, we would support a staged introduction of new reporting requirements for smaller issuers. We believe this approach will facilitate a smoother transition, one that supports higher-quality disclosures. Ultimately, all issuers should be subject to the same requirements, which presumably provide inherent benefits to the registrant and its investors over the longer term.

223. In 2010, the Commission published an interpretive release to assist registrants in applying existing disclosure requirements to climate change matters. As part of the Disclosure Effectiveness Initiative, we received a number of comment letters suggesting that current climate change-related disclosures are insufficient. Are existing disclosure requirements adequate to elicit the information that would permit investors to evaluate material climate change risk? Why or why not? If not, what additional disclosure requirements or guidance would be appropriate to elicit that information?

We believe that current disclosure requirements on climate change matters can be improved. We encourage the Commission to consult the climate change reporting standards, frameworks and questionnaires (or related sections therein) of the Carbon Disclosure Standards Board, CDP, Global Reporting Initiative and Sustainability Accounting Standards Board. We also point to the ongoing work of the Financial Stability Board's *Task Force on Climate-related Financial Disclosures* as a resource for disclosure requirements or guidance.

V. Presentation and Delivery of Important Information

A. Cross-Referencing

Q294 Some of the Commission's guidance limiting the use of cross-referencing pre-date the expanded use of technology that allows registrants to hyperlink to referenced disclosure. In light of technological changes that allow hyperlinks, which we discuss below, should we reconsider those rules that seek to provide investors with information in a single location?

Please see our response to Q297, which provides our overarching views on the benefits and cautions associated with cross-referencing, incorporation by reference and hyperlinks.

B. Incorporation by Reference

Q297 Should we expand or limit registrants' ability to incorporate by reference? Why or why not? Does incorporation by reference make the disclosure more or less readable?

We agree with reasonable measures aimed at reducing volume, duplication and boilerplate in corporate disclosures. The repetition of stagnant information across reporting periods, in particular, can obscure more pertinent developments that have arisen during the current reporting period. We further believe that registrants should apply professional judgment to distinguish between **core** and **supplementary** information. The former – defined loosely as 'providing necessary and sufficient coverage to inform user decisions' – introduces and explains material matters, places those matters into context and, where possible, provides quantitative and assurable information to support their inclusion or to illustrate fundamental points. By contrast, and by definition, supplementary information (which companies may present in the form of case studies, white papers or anecdotal evidence) does not meet the 'decision-useful threshold' of core information. The inclusion of such information in registrant filings may compromise readability. We believe, therefore, that such information can be clearly flagged for interested parties (through cross-referencing, incorporation by reference or hyperlinks), but we would discourage its inclusion in the core filing on the basis that it adds volume with little incremental benefit to users.

To ensure navigability, we encourage a reinforcement of the requirement that information that is cross-referenced or incorporated by reference should be clearly identified by page, paragraph, and caption or otherwise. At the same time, we encourage a reinforcement of the need for professional judgment when applying cross-referencing, incorporation by reference or hyperlinks, the excessive use of which can distract and reduce readability.

C. Hyperlinks

Q303 Should we consider revising our rules to permit registrants to include external hyperlinks in their filings? Should we consider permitting registrants to include external hyperlinks in their filings to satisfy disclosure obligations? Why or why not? What would be the benefits and challenges of such a requirement?

Please see our response to Q297, which provides our overarching views on the benefits and cautions associated with cross-referencing, incorporation by reference and hyperlinks.

F. Layered Disclosure

Q329 Other than a summary page, are there other approaches to layering or layered disclosure that we should consider for business and financial information in periodic reports? If so, what are the benefits and challenges of these approaches?

As noted in Q91, we support the provision of an executive-level overview, subject to page or word count limitations. We support the layering of information through other means as well. For example, stagnant or supplementary information that is not directly material to decision making can be repositioned through cross-referencing, incorporation by reference and/or hyperlinks. Please see our response to Q297, which provides our overarching views on the benefits and challenges associated with cross-referencing, incorporation by reference and hyperlinks.