

IIRC
29 Lincoln's Inn Fields
London
WC2A 3EE

22 July 2013

Dear Sirs,

Consultation Draft of the International Integrated Reporting Framework

Introduction

We are the Quoted Companies Alliance, the independent membership organisation that champions the interests of small to mid-size quoted companies. Their individual market capitalisations tend to be below £500m.

The Quoted Companies Alliance is a founder member of European **Issuers**, which represents over 9,000 quoted companies in fourteen European countries.

The Quoted Companies Alliance Financial Reporting and Corporate Governance Expert Groups has examined your proposals and advised on this response. A list of members of the expert groups is at Appendix A.

Response

The Quoted Companies Alliance supports and promotes high quality reporting which, for small and mid-size quoted companies, is proportionate to the size of company and the resources available.

We have reviewed the Consultation Draft of the International <IR> Framework and agree that it is important that companies are clear about their strategy and business model and also for annual reports to demonstrate how a business creates value in the short, medium and long term. We also agree that it is important for companies to be clear about their governance structures and their risks, including their process for assessing risk.

We do, however, have a number of areas of concern which we set out below. In particular we are concerned that, in a UK context (where annual reports are already highly developed and regulated), the proposed framework will add to the length of reports for no demonstrable benefit to shareholders.

Primary audience

The proposed framework states that the primary audience for an integrated report is the 'providers of financial capital in order to support their financial capital allocation assessments'. In our opinion the primary audience should remain the shareholders – those who have provided risk capital. We also believe that any definition of the primary audience should include reference to the concept of stewardship. The

IIRC

Consultation Draft of the International Integrated Reporting Framework

22 July 2013

Page 2

purpose of any integrated report should be to allow the shareholders to assess how effectively the directors have acted as the stewards of the shareholders' money.

We are concerned, however, that the framework is written for a much larger group of stakeholders. Whilst the needs of other stakeholders should not be ignored, we believe that having such a wide range of interest groups will mean that annual reports will expand considerably. We do not believe that an annual report, which is aimed at shareholders, is the right document to place all of this information.

Concept of capitals

The framework introduces a reporting concept based on six capitals. These capitals do not appear to be aligned with the way in which businesses are managed and reported, which is often along divisional and functional lines. We would question whether reporting which is divorced from the way in which a business is managed is useful.

Materiality

Greater emphasis should be placed on the concept of materiality and this should be consistent with the definition used by accounting standards. We would welcome further guidance on how materiality should be applied when a matter may be of key importance for one stakeholder but not for others and how these interests should be balanced. In our opinion materiality should be by reference to the primary user only (ie shareholders).

Cost benefit analysis

The consultation document does not contain a cost benefit analysis of the proposals, nor does it provide evidence of a demand amongst investors. A cost benefit analysis should be provided and should seek to demonstrate the benefit to companies and their shareholders. Such an analysis should include an assessment of the cost benefit for small and mid-size quoted companies as well as for their larger listed counterparts.

If you would like to discuss any of this in more detail, we would be happy to attend a meeting.

Yours Faithfully,

A handwritten signature in blue ink, appearing to read 'Tim Ward', with a stylized flourish at the end.

Tim Ward

Chief Executive

Quoted Companies Alliance Financial Reporting Expert Group

Matthew Stallabrass (Chairman)	Crowe Clark Whitehill LLP
Anthony Appleton (Deputy Chairman)	BDO LLP
Edward Beale	Western Selection Plc
Anthony Carey	Mazars LLP
Peter Chidgey	BDO LLP
Jack Easton	UHY Hacker Young
Bill Farren/Ian Smith	Deloitte LLP
David Gray	DHG Management
Usman Hamid	EY
Matthew Howells	Smith & Williamson Limited
Nick Winters/James Lole	RSM Tenon Group PLC
Paul Watts/Jonathan Lowe	Baker Tilly
Niraj Patel	Saffery Champness
Nigel Smethers	One Media IP Group plc
Chris Smith	Grant Thornton UK LLP

Quoted Companies Alliance Corporate Governance Expert Group

Edward Craft (Chairman)	Wedlake Bell LLP
Victoria Barron	Hermes Equity Ownership Services
Edward Beale	Western Selection Plc
Rob Burdett	FIT Remuneration Consultants
Daniel Burns	McguireWoods
Anthony Carey	Mazars LLP
Richie Clark	Fox Williams LLP
Louis Cooper	Crowe Clark Whitehill LLP
Victoria Dalby	Capita Registrars Ltd
George Dallas	F&C Investments
Kate Elsdon	PricewaterhouseCoopers LLP
Nicola Evans	Hogan Lovells International LLP
David Firth	Penna Consulting PLC
Peter Fitzwilliam	Mission Marketing Group (The) PLC
David Fuller	CLS Holdings PLC
Clive Garston	DAC Beachcroft LLP
Nick Graves	Burges Salmon
Andrew Hobbs	EY
Alexandra Hockenhull	Xchanging plc
David Isherwood	BDO LLP
Nick Janmohamed	Speechly Bircham LLP
Colin Jones	UHY Hacker Young
Dalia Joseph	Oriel Securities Limited
Doris Ko	Aviva Investors
Claire Noyce	Hybridan LLP
James Parkes	CMS Cameron McKenna LLP
Julie Stanbrook	Hogan Lovells International LLP
Peter Swabey	Equiniti
Melanie Wadsworth	Faegre Baker Daniels LLP
Cliff Weight	MM & K Limited