

December 22, 2011

Professor Mervyn King
Chairman
The International Integrated Reporting Committee
c/o The Prince's Accounting for Sustainability Project
Clarence House
London, SW1A 1BA
United Kingdom

**RE: Comments on the International Integrated Reporting Committee Discussion
Paper: "Towards Integrated Reporting: Communicating Value in the 21st
Century"**

Dear Chairman King:

Please see Calvert's responses to the questions contained in the IIRC' discussion paper on integrated reporting. Thank you for this initiative.

Mike Lombardo and Stu Dalheim
Calvert Investment Management, Inc.

**1.(a) Do you believe that action is needed to help improve how organization
represent their value-creation process? Why/why not?
(b) Do you agree that this action should be international in scope?**

We believe that urgent action is needed to help improve how organizations represent their value-creation process, particularly with respect to environmental and social issues. As part of our investment analysis, we not only assess how companies manage their environmental and social risks, but how they manage related opportunities. While leading companies are beginning to understand this and have taken steps to increase their transparency around the value of these opportunities and the impact on their business, the vast majority of companies have yet to do so. Given that companies are not defined by geographic boundaries, we agree that this action should be international in scope.

2.Do you agree with the above definition of Integrated Reporting? Why/why not?

We largely agree with the Integrated Reporting as defined in the discussion paper. We believe that while there is a lot of information being reported by companies, in many cases it is not clear what the company considers the most important set of factors that will determine business success. And in many cases environmental, social and governance (ESG) factors are not part of this story. We believe that a well written integrated report, as defined by the discussion paper as a single and all-encompassing report, will help address these problems.

However, our support for the discussion paper's definition of integrated reporting is conditioned on a framework that does not come at the cost of information regarding a company's environmental, social and governance (ESG) transparency. As sustainable and responsible

investors, we seek robust information on a company's material ESG impacts. As such, an integrated reporting framework that limits a company's material ESG disclosures would run counter to Calvert's belief and concept for a new reporting structure.

3. Do you support the development of an International Integrated Reporting framework? Why/why not?

We fully support the development of an International Integrated Reporting framework. As a sustainable and responsible investment firm, we believe there is a clear link/connection between financial and extra-financial (ESG) information and performance and it is important for companies to report accordingly. We have already begun to see leading stock exchanges – such as the JSE –require listed companies to issue integrated reports. We believe it is necessary to ensure that companies across all markets and exchanges are utilizing a common consensus-driven reporting framework.

**4.(a) Do you agree that the initial focus of Integrated Reporting should be on reporting by larger companies and on the needs of their investors? Why/why not?
(b) Do you agree that the concepts underlying Integrated Reporting will be equally applicable to small and medium enterprises, the public sector and not-for-profit organizations?**

We believe that small and medium sized companies should also be called upon to produce integrated reports. Companies of all sizes should understand and report on ESG factors that may affect their businesses. A focus on integrated reporting may help smaller firms, many with little experience related to ESG factors, make the connections between these risks/opportunities and their financial performance and future prospects.

5. Are: (a) the organization's business model, and (b) its ability to create and sustain value in the short, medium and long term, appropriate as central themes for the future direction of reporting? Why/why not?

Yes, a focus on the business model and a company's ability to create value over time are appropriate areas of focus for reporting. However, past performance must remain an integral element of any reporting. It is essential that investors understand a company's progress toward business, financial and sustainability objectives. Future orientation and prospects for success can only be fully understood in the context of a clear and frank discussion of a company's success or lack thereof in meeting previous goals. Past performance is covered in the "Discussion Paper" but it seems to be de-emphasized to too great a degree.

6. Do you find the concept of multiple capitals helpful in explaining how an organization creates and sustains value? Why/why not?

The multiple capitals idea is quite compelling and really underscores the critical importance that so called "extra-financial" issues play. The concept should help investors and businesses that are not very familiar with consideration of ESG factors understand the relevance/connection to the success of the business. A greater awareness of this connection is among the most useful

potential benefits of the entire integrated reporting initiative. The multiple capitals idea captures this well.

7. Do the Guiding Principles identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Guiding Principles that should be added? Why/why not?

The Guiding Principles do provide a strong basis for reporting. However, as noted in the answer to question 5 above it would be worth underscoring the importance and relevance of reporting on past performance. That aspect of reporting seems to be lost in the descriptions and guidance around integrated reporting.

8. Do the Content Elements identified in the Discussion Paper provide a sound foundation for preparing an Integrated Report – are they collectively appropriate; is each individually appropriate; and are there other Content Elements that should be added? Why/why not?

ESG policies and management systems/programs are central elements of sustainable and responsible investment analysis. However, it is unclear where these reside, if at all, under the existing Content Elements. ESG policies and management systems could conceivably be folded into the third element – Strategic objectives and strategies to achieve these objectives – as these are arguably fundamental aspects of risk management.

9. From your perspective as an investor:

Do you agree with the main benefits as presented in the Discussion Paper? Why/why not?

Do you agree with the main challenges as presented in the Discussion Paper? Why/why not?

Do you agree that Integrated Reporting will drive the disclosure of information that is useful for integrated analysis? Why/why not?

From Calvert's vantage point, one of the primary challenges is that many companies simply do not address ESG factors in their reporting and among those that do, there is little if any stated connection to the financial prospects of the organization. A further challenge is the lack of comparability of corporate ESG information. Companies often choose various reporting formats and utilize different KPIs related to the same issue. We strongly believe that an Integrated Reporting framework can help address these challenges. As discussions continue and the integrated reporting idea evolves we are hopeful that there will be a greater consensus around the ways in which social and environmental performance relates to financial performance. We believe that integrated reporting can help start a virtuous cycle in which companies provide ESG information that they believe is material to the business, signaling to investors that these issues are indeed of importance, which may build demand among investors for clear and comparable information from companies, leading to greater disclosure and improved understanding of how ESG factors relate to company success, and so on.

10. (a) Do you agree that the actions listed in the Discussion Paper should be the next steps undertaken by the IIRC? Why/why not? Are there other significant actions that should be added?

(b) Do you have any other comments that you would like the IIRC to consider?

We generally agree with the next actions listed in the Discussion Paper. However, our understanding is that a limited number of North American companies have elected to participate in the Pilot Programme. While we recognize the voluntary nature of this program and that fact that it has already commenced, we strongly urge the IIRC to seek input from more North American companies (including those which are not officially participating in the Pilot Programme) throughout the framework development process. As part of the “Harmonization” category, we urge the IIRC to provide more detail regarding strategies to seek input from global regulators, a critical constituency with respect to integrated reporting. Last, we encourage IIRC to work closely with the Global Reporting Initiative (GRI) in order to provide clarifying information to companies, investors and all stakeholders regarding the relationship between the separate G4 and Integrated Reporting processes.