

Consultation questions

The IIRC welcomes comments on all aspects of the Draft International <IR> Framework (Draft Framework) from all stakeholders, whether to express agreement or to recommend changes.

The following questions are focused on areas where there has been significant discussion during the development process. Comments on any other aspect of the Draft Framework are also encouraged through the questions.

Please provide all comments in English.

All comments received will be considered a matter of public record and will be posted on the IIRC's website (www.theiirc.org).

Comments should be submitted by Monday 15th, July 2013.

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If replying on behalf of an Organization please complete the following:

Organization name:	<input type="text" value="Calvert Investments"/>
Industry sector:	<input type="text" value="Financials"/>
Geographical region:	<input type="text" value="North America"/>

Key Points

If you wish to briefly express any key points, or to emphasize particular aspects of your submission, or add comments in the nature of a cover letter, then the following space can be used for this purpose. Please do not repeat large amounts of material appearing elsewhere in your comments.

Chapter 1: Overview

Principles-based requirements

To be in accordance with the Framework, an integrated report should comply with the principles-based requirements identified throughout the Framework in bold italic type (paragraphs 1.11-1.12).

1. *Should any additional principles-based requirements be added or should any be eliminated or changed? If so, please explain why.*

No

Interaction with other reports and communications

The <IR> process is intended to be applied continuously to all relevant reports and communications, in addition to the preparation of an integrated report. The integrated report may include links to other reports and communications, e.g., financial statements and sustainability reports. The IIRC aims to complement material developed by established reporting standard setters and others, and does not intend to develop duplicate content (paragraphs 1.18-1.20).

2. *Do you agree with how paragraphs 1.18-1.20 characterize the interaction with other reports and communications?*

We generally agree with paragraphs 1.18-1.20, however, we emphasize the importance of rigorous sustainability and responsibility (CSR) reporting to meet the needs of stakeholders beyond just providers of financial capital. There is a possibility that a focus on integrated reporting for a financial audience could undermine in-depth CSR reporting. We encourage the IIRC to support comprehensive CSR reporting that meets all stakeholder needs.

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?*

Industry Bodies, World Business Council Sustainable Developments, Intergovernmental Panels

Other

4. *Please provide any other comments you have about Chapter 1.*

Not having enough specificity and key performance indicators with appropriate guidance may diminish the quality and objective of integrated reporting.

Chapter 2: Fundamental concepts

The capitals (Section 2B)

The Framework describes six categories of capital (paragraph 2.17). An organization is to use these categories as a benchmark when preparing an integrated report (paragraphs 2.19-2.21), and should disclose the reason if it considers any of the capitals as not material (paragraph 4.5).

5. *Do you agree with this approach to the capitals? Why/why not?*

Yes, we think that the types of capital described are a good representation of the key areas that investors need to evaluate.

6. *Please provide any other comments you have about Section 2B?*

None

Business model (Section 2C)

A business model is defined as an organization's chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term (paragraph 2.26).

7. *Do you agree with this definition? Why/why not?*

Yes, we agree with the definition.

Business model (Section 2C) continued

Outcomes are defined as the internal and external consequences (positive and negative) for the capitals as a result of an organization's business activities and outputs (paragraphs 2.35-2.36).

8. *Do you agree with this definition? Why/why not?*

Yes, we agree with the definition.

9. *Please provide any other comments you have about Section 2C or the disclosure requirements and related guidance regarding business models contained in the Content Elements Chapter of the Framework (see Section 4E)?*

In general, we feel that the disclosure requirements and guidance regarding business models is sound and provides good top-line guidance to companies. We would want to be sure that companies using this framework would continue to provide relevant details about their business structure, such as detailed lists of subsidiaries and location of operations, if not in the main text of an integrated report, then linked in some other public form. Regarding organizations with multiple business models, we feel that a diversified holding or investment management company that controls operations like heavy manufacturing, mining or any other type is accountable for the environmental and social impacts of those operations. Our experience has shown that many such diversified or holdings companies have inadequate disclosure of information regarding its various business operations. ESG information is rarely disclosed and it is often difficult to find anything beyond the basic operational information. If the integrated report focuses only on the business model of the corporate center, we have a concern that this would perpetuate that problem.

Other

10. *Please provide any other comments you have about Chapter 2 that are not already addressed by your responses above.*

None

Chapter 3: Guiding Principles

Materiality and conciseness (Section 3D)

Materiality is determined by reference to assessments made by the primary intended report users (paragraphs 3.23-3.24). The primary intended report users are providers of financial capital (paragraphs 1.6-1.8).

11. *Do you agree with this approach to materiality? If not, how would you change it?*

Yes, we agree with the approach as described.

12. Please provide any other comments you have about Section 3D or the Materiality determination process (Section 5B).

None

Reliability and completeness (Section 3E)

Reliability is enhanced by mechanisms such as robust internal reporting systems, appropriate stakeholder engagement, and independent, external assurance (paragraph 3.31).

13. How should the reliability of an integrated report be demonstrated?

One way a reporting organization can demonstrate the reliability of an integrated report is by disclosing the internal processes and systems for internal decision-making and strategy that is based on stakeholder engagement and how it leads to concrete data points. For example, a company should disclose its process for stakeholder engagement, including a clear system that is used to evaluate and prioritize stakeholder issues and concerns. In addition, a reporting organization should explain how it translates this information into concrete data points to drive decisions. In addition, reporting organizations should also be encouraged to obtain independent, external assurance to help strengthen the reliability of an integrated report.

14. Please provide any other comments you have about Section 3E.

The cost/benefit section (3.38-3.41) suggests that a reporting organization may incur certain costs to conduct an integrated report and that "until such systems are implemented, it may be impracticable for certain information to be included." In this section, it is not entirely clear if companies are encouraged to take steps toward issuing an integrated report (even if somewhat deficient) while simultaneously building up internal resources and capacity to issue a "complete" integrated report in the future. In addition, we hope that a cost/benefit analysis does not cause companies to refrain from or slow down the process of disclosing ESG or other relevant information, as indicated in 3.38.

The points (3.42-3.45) listed under competitive advantage are valid concerns for companies and is often made even with respect to standard sustainability reporting. It may be especially helpful to provide concrete examples of companies that share this concern, yet nonetheless take the steps to make the necessary disclosures.

Other

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

We feel that the rest of Chapter 3 covers all relevant points. We would emphasize that section 3F provides especially useful guidance regarding consistency and comparability of KPIs.

Chapter 4: Content Elements

16. *Please provide any comments you have about Chapter 4 that are not already addressed by your responses above (please include comments on the Content Element Business Model [Section 4E] in your answer to questions 7-9 above rather than here).*

We feel that Section 4F makes especially important points we would like to reinforce. In particular, we would draw attention to paragraph 4.29, which highlights the importance of reporting on performance regarding other capitals.

Chapter 5: Preparation and presentation

Involvement of those charged with governance (Section 5D)

Section 5D discusses the involvement of those charged with governance, and paragraph 4.5 requires organizations to disclose the governance body with oversight responsibility for <IR>.

17. *Should there be a requirement for those charged with governance to include a statement acknowledging their responsibility for the integrated report? Why/why not?*

Yes, there should be a requirement for those charged with governance to include a statement acknowledging responsibility for an integrated report. This would be especially compelling for US-based companies because it would be consistent with Section 302 of the Sarbanes-Oxley Act of 2002, which requires the CEO and financial officers of a public company to certify in their company's annual and quarterly reports that such reports are accurate and complete and that they have established and maintained adequate internal controls for public disclosure.

18. *Please provide any other comments you have about involvement of those charged with governance (Section 5D).*

None

Credibility (Section 5E)

The Framework provides reporting criteria against which organizations and assurance providers assess a report's adherence (paragraph 5.21).

19. If assurance is to be obtained, should it cover the integrated report as a whole, or specific aspects of the report? Why?

We feel that a comprehensive assurance of the whole integrated report has the potential to enhance credibility, although separate assurances can be credible. We feel strongly that assurance of both traditional financial and ESG information is needed to make an integrated report credible. This should include both internal mechanisms and external assurance by a credible body.

20. Please provide any other comments you have about Credibility (Section 5E). Assurance providers are particularly asked to comment on whether they consider the Framework provides suitable criteria for an assurance engagement.

Credibility ultimately comes from both the quality of assurance and the quality of information. In other words, an externally verified report with inadequate reporting will still fall short on overall credibility.

Other

21. Please provide any other comments you have about Chapter 5 that are not already addressed by your responses above (please include comments on the materiality determination process [Section 5B] in your answer to question 11 above rather than here).

Section 5H raises some important issues and rightly a balanced efforts as indicated in 5.31. There is a danger that too much aggregation can lead to inadequate and important details for investors. Investors generally favor more information, as opposed to limited, high-level information only.

Overall view

22. *Recognizing that <IR> will evolve over time, please explain the extent to which you believe the content of the Framework overall is appropriate for use by organizations in preparing an integrated report and for providing report users with information about an organization's ability to create value in the short, medium and long term?*

To date, ESG factors are largely reported in separate sustainability reports, with limited discussion of the impacts of these factors on a company's overall strategy, business decisions and operations. This creates a silo effect. The content of the Integrated Reporting Framework will be most helpful and appropriate for both preparers and report users to the extent that it provides an adequate discussion of how ESG factors drive overall strategy, business decisions and operations. For example, this Framework should allow users to more easily benchmark companies not solely based on ESG factors alone, but using a more holistic framework that more clearly lends itself to company valuation because of a clearer linkage between ESG and financial indicators/metrics.

Development of <IR>

23. *If the IIRC were to develop explanatory material on <IR> in addition to the Framework, which three topics would you recommend be given priority? Why?*

We believe that the framework will require some further explanation to ensure that integrated reports disclose enough information for investors. We recommend that performance (4F), disclosure of material matters (5C) and reliability and completeness (3E) be given priority.

Other

24. *Please provide any other comments not already addressed by your responses to Questions 1-23.*

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013