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.

Name:	Jennifer Coulson
Email:	jennifer.coulson@bcimc.com
Stakeholder group:	Provider of financial capital

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

Organization name:	BC Investment Management Corporation
Industry sector:	Financials
Geographical region:	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.

Key points from our perspective would be:

- to specify if the IR is meant to substitute the Annual Report going forward; this was our interpretation but could be made clear in the framework itself

- be conscious of the reporting burden on issuers as we are hearing more and more feedback from the issuer community about how extensive the reporting burden is becoming

- in relation to the above, the focus needs to shift from more disclosure to better and more relevant disclosure

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.*

Materiality & Conciseness: This principle relies on management's determination of materiality and we have already seen this notion fail in traditional reporting as companies are already supposed to report material matters yet we see limited disclosure on environmental and social risks. The term concise is also difficult to define and seems rather vague; it will likely vary from one person to the next although we understand the concept in principle and completely agree that there is too much disclosure that is not always useful or relevant.

Reliability & Completeness: In a sense, this principle does not seem necessary given that a company is already required to disclose all material matters that is free from error. The more important part of this principle that is not emphasized in the overarching statement of principle is the idea of balance and that ESG performance data is subject to the same scrutiny that other information is. We point this out as there have been obvious examples in which companies leave out information that casts them in a negative light and many cases of inaccurate ESG data sometimes in different publications from the same company. Sometimes this is the case even when external assurance is provided. These factors should receive more emphasis because as currently worded, the principle does not fully capture the presumed intention.

Consistency & Comparability: This is crucial for the investment community when conducting analysis based on peer performance so bcIMC encourages as much specificity as possible here. The guidance is very general allowing companies to continue to report according to different metrics. Given that GRI sector supplements are well established and that Bloomberg is basing its disclosure framework on GRI indicators, we would encourage a preference for using GRI indicators to allow for direct comparisons. Disclosure does not have to be provided for all GRI indicators but we fear that unless a standard is specified, companies will continue to report inconsistently.

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 do agree that there needs to be more integration of ESG and a more strategic orientation to investor relations materials. We would see a lot of the information being asked for in an IR as already being required for compliance purposes (this is described in more detail in a later section).

We see value in a more concise report for the financial community and other types of communications for various stakeholders that will be dependent on the industry, region, and particular business model.

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?*

GRI
SASB
Industry specific such as (IPIECA or ICMM)
CDP

Other

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

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?

This makes sense as it already corresponds to how a company is structured in many ways but does require a slight shift in thinking.

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

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 - no issues 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 - no issue 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)?

The business model section is somewhat duplicative in the sense that, as IR is focused on providers of financial capital, it is already the primary responsibility of a financial analyst to understand the company's business model. Some of the elements being asked for in this section are very basic and will not be any extra value for the financial community. This would be one section where we could envision fewer disclosure requirements.

For example, identifying the key inputs of the business model; an overview of the funding model; and identifying key products and services, are pieces that the financial community is already familiar with and we see no need for additional disclosure in these areas.

Other

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

We do agree with the focus on value creation and identifying value drivers as these areas are often not given enough attention in current disclosure regimes.

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?

We would agree that not all information is relevant for all stakeholders and that there is a need for more concise reporting for investors. There does seem to be a danger, however, in relying on the subjectivity of the assessments made by the report user as different portions of the financial community are at various stages of acknowledgement when it comes to so-called non-financial indicators of performance. For this reason, more emphasis should be placed on 3.24 in terms of senior management and the Board having a strong process in place to determine what is material that is transparent for all investors to see and assess for themselves if that is part of their investment process. This section seems to imply that the investment community is homogeneous and this is not a useful assumption as we see it.

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

The IR process could require disclosure of the stakeholders who provide input into the materiality determination process to encourage consultation beyond the original providers of financial capital. The process outlined in 5B does not make any reference to consulting stakeholders when determining what is material even though it is recognized elsewhere that stakeholders have an important role to play in the creation of value.

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?

Good, sound data collection systems and appropriate oversight of the information as evidenced by CEO/CFO sign off just as it is for annual reporting. External assurance seems to be more focused on the process of data collection rather than assuring actual data sets. There should also be evidence that the Board or committee of the Board has reviewed the disclosure.

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

Other

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

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).*

The main observation on this Chapter is that much of this disclosure already exists in various documents at least in developed markets. So information about ownership and operating structure; principal activities; number of employees; the legislative and regulatory environment; and key risk factors are already discussed in the Management Discussion & Analysis (MD&A) or Annual Information Form (AIF). The section on governance is also duplicative when considering the amount of information available in the Information Circular with detailed requirements around remuneration and incentives. If IR is aiming to be a global standard, there needs to be some recognition that many markets already have disclosure frameworks in place and we would not want to create more volumes of disclosure requirements.

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, this should be a mandatory requirement. We feel it is important that an oversight body take responsibility for the disclosures that are being made and given the strategic focus of IR, a governance body seems appropriate.

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

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?*

At least in the initial phases, it is the readers/users of the information that are going to decide if it is credible. Given that the financial community should be quite familiar with the company's strategy and performance against that strategy, it will be very clear to them whether or not an IR is credible and is telling the whole story.

Also, because so much of an IR is going to be how management sees their business and their ability to create value, an assurance provider would provide little value about the conclusion of this. While this reality may change over time as IR evolves, it is likely to be the case in the short term. However, there does seem to be a legitimate role for assurance providers to assess the data that is provided just as auditors assess the quality of the financial statements being presented to the investment community.

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.*

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).*

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?

It seems that there is still a certain level of ambiguity in the Framework in terms of what exactly is expected for a company to report. This is likely common with any principles-based approach as the key is to offer flexibility in the implementation so some ambiguity is normal. The key really is to offer extra value to both the company and the investors above and beyond what is already offered by traditional reporting. This is likely to become more clear over time and larger companies with adequate resources to 'experiment' with this are likely to lead this process.

A significant shift in thinking is required for the framework to be effective and that shift is not going to exist immediately so we would expect this to take place slowly. We would see the act of 'integrated thinking' to be just as valuable internally to the information that comes out of the framework itself so there is value in the process.

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?

Materiality & Conciseness because there still seems to be many competing definitions of what is material.

The two types of capital that are probably the least understood by the traditional business model, which are social and relationship capital as well as natural capital, should be priorities. Especially for smaller companies that would not have large departments supporting them with expertise in these areas.

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