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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Stakeholder group:	Report preparers

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

Organization name:	Alberta Investment Management Organisation
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.

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.*

We suggest making the parameters of the integrated report (which 1.11 and 1.12 refer back to in 1.2, 1.3 and 1.6) very clear and simple to understand. The inferred point of 1.2 is that how an organization reports information essentially describes how it measures success over time. 1.3 could simply state " <IR> is a reporting process that describes how the organization's strategy, governance and risk adjusted performance leads to the creation of value over the short, medium and long term." The term strategy implies both present and future, resource allocation and business model. An integrated report may be useful not only for providers of financial capital, but also for client beneficiaries in the case of pension plan investors.

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?*

While the eventual intent of <IR> is that it apply continuously to all reporting and communications, in reality this will likely be conducted in stages for most participating organizations. For example, it may be simplest to begin to include it within the context of a sustainability report or a similar section within an annual report at first. Examples of reporting will be instructive for organizations to assist them with achieving the twin goals of full and concise reporting.

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?*

Links to international reporting organizations would be useful including but not limited to: UNPRI, UN Global Compact, UN Security Council, Carbon Disclosure Project (CDP) CDP Water, EIRIS, EITI, OECD, ILO, and the reporting framework XBRL.

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?

While we generally agree with the descriptions, related academic literature describes 5 capitals: financial, built, natural, social and human. It may be wise to align with these categories for the sake of simplicity. Reputational capital, including branding is key to any organization's intrinsic value, and, while it does not need to be assigned a numerical value, could be broadly included within social capital.

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

In as far as integrated reporting attempts to assess both assets and liabilities, section 2.23 and 2.25 refer to the complexities of assessing natural capital that is not owned, and offsetting liabilities. While complex, it may be important to eventually address the issue of how an organization can reconcile increasing one kind of capital (in this example human) while negatively impacting another (in this example the environment.)

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?

The definition of business model, as a "chosen system of inputs, business activities, outputs and outcomes that aims to create value over the short, medium and long term," could be strengthened. It appears to be missing direct reference to the competitive nature of the marketplace referred to in 4.22., which can be corrected by inserting, where the statement reads " to create value..." a suggested substitution: " to deliver economic value to investors, while creating relative value for key stakeholders over the short, medium and long term. "

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.

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)?

Regular attention to Section 4 E and in particular to Section 4.23 should inform overall reporting; however organizations will have to take care not to disclose confidential business information with respect to the discussion of strategy, further reducing the complexity of reporting.

Other

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

Examples of appropriate reporting will assist organizations to develop their own robust reporting processes.

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?

While we broadly agree with this approach, it is important to differentiate between the 'known' and the 'unknown' as it is impossible to discern materiality for an opportunity or risk not previously imagined (and so it would not be reported on in terms of possibility or impact.) The definition of materiality may require a conditional understanding that some issues may only prove to be material retroactively.

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

Conciseness is a worthy goal for a reporting exercise, but it may take time, several iterations of reporting and instructive examples to fully encourage concise reporting.

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?

The authenticity of previous reporting will duly influence the plausibility of future reporting. As mentioned, if errors are identified in prior reporting, whether by audit, legal, compliance or any other department, they should be immediately corrected. Any limitations to reporting for estimates and qualitative reporting should be disclosed. All internal reporting, reporting to key stakeholders, and external reporting should be fully in alignment for consistency of messaging. The governance of reporting should be clearly demonstrated for internal audit purposes.

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).*

Reporting, in order to be useful to all stakeholders, should give a realistic impression of the overall competitive landscape and the firm's approach to opportunities and risk.

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?*

This should not be required; however there are or should be multiple oversight mechanisms with governance responsibility for the integrated report (by department example: audit, compliance, legal, and/or by the board.)

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?*

In this instance, assurance would be improved if it covered specific aspects of the report, to improve accountability.

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).*

Section 5.23: The reference to "time frames differ by: the nature of certain matters,,," appears too vague. We suggest " the complexity of measurement for natural, social and relationship capitals."

Section 5.11: The graph could be improved by keeping P(event) on the Y axis and substituting Impact of event for Magnitude of event on the X axis.

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?*

Organizations' attempts to account for their assets, liabilities and offsetting measures within the contexts of the financial, natural, manufactured, intellectual, human, and social capitals should aid key stakeholders in discerning value over time. Integrated reporting in turn will likely be an iterative process that will improve with time.

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?*

1. Further explanation of the capitals in general (especially examples of how social and relationship capital can impact the bottom line.)
2. Illustrative examples of industry reporting for each major industry to follow.
3. Case Study on how integrated reporting added value (stories resonate for internal buy-in.)

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