

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:

Email:

Stakeholder group:

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

Organization name:

Industry sector:

Geographical region:

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.

The IIRC launched a public consultation based on a draft integrated reporting framework. The purpose is to encourage companies to describe how they articulate their social and environmental performances with their financial performance, within a global strategy including long term perspectives. The recent history has shown that the evaluation of financial performance can no longer ignore environmental and social factors.

MEDEF supports the concept of integrated reporting (<IR>), based on a sound and balanced corporate development, by demonstrating the links between strategy, sustainability and financial performance. This initiative will contribute to progressively raise companies' awareness and change the way they deal with their reports and communication.

This being said, the issues of <IR> exceed the disclosure of an integrated report. More fundamentally, the issue and priority resides in integrating logics and strategies, upstream reporting, within the decision-making process and day-to-day business. The framework should consequently not have a normative perspective but should pursue an

objective of internal cohesion.

The IIRC framework does not stress this fundamental aspect enough, giving the impression the issue is limited to methodological and technical considerations, to put it in a nutshell, a communication exercise.

Consequently, the <IR> concept will take time and its implementation will need to be supported and managed by the governing bodies within the company. The <IR> approach should not be too normative to leave sufficient leeway for companies to adapt and find the most appropriate path considering their context and characteristics. The IIRC should take this aspect into consideration.

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.*

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?*

The IIRC framework is ambiguous regarding the interaction with other reports and communications. Should the integrated report be an additional report regarding other reports, or should it summarize existing information and even replace other types of communication?

The answer to those questions will imply major consequences for French listed companies since the French legislation already created an obligation to publish financial and non-financial information within a detailed annual report. Moreover, the annual report should be published conforming to the model of European prospectus.

If the integrated report should be considered as a stand-alone document, what would be its status? Would it be a separate publication more or less disconnected from the governing bodies and without any control from the regulatory national bodies? The objective pursued by the IIRC will then probably not be reached.

Since the national regulation bodies will not change for the moment their disclosure requirements, a possible alternative to a dedicated report could be to ask companies to publish non-financial information within the annual report summary or introduction. This solution could have the advantage to satisfy at the same time regulatory requirements and analysts' / investors' needs. This will make sense since the major <IR> information is already included within the annual report (organizational overview, governance, risk

management, business model, social and environmental information, etc.).

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?*

Companies do not feel the need to define authoritative sources of indicators or measurement methods, and creating a unique database with standard indicators, does not seem to be the goal of <IR>. Many references already exist, and freedom should be left to companies to choose which ones they want to use, depending on their characteristics (business sector, size, maturity, etc.).

Other

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

Regarding the audience of <IR>, the IIRC framework explains it should be prepared primarily for providers of financial capital.

Since the framework does not provide a clear view on how to deal with other stakeholders' needs, companies do not have any answer on how to structure and organise their non-financial reporting to respond to those expectations.

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 approach does not call for any specific remarks on the theoretical level. However, this is different if one wants to measure stock capital and consumption over time.

While the financial capital or some immaterial capitals can be quite easily evaluated, it is not the case with the human and natural capital. Without a reliable methodology, they can only be analysed through a qualitative approach putting them at another level of analysis. Demonstrating the connectivity and interdependency between different sets of information will therefore be complicated.

The framework should take into account this lack of maturity on the value creation analysis.

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?*

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?*

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)?*

Other

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

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?*

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

The IIRC framework requires that the integrated report be concise and focused on material aspects. This should conform to stock exchange law requiring that "the information provided to the public must be accurate, precise and fairly presented".

The governing bodies are responsible of defining the materiality of information, without any other clarification. Sectorial approaches could be supported to help companies to define the materiality and reinforce the credibility of their choices.

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?*

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.*

Presenting “connected information” which shows interdependency between financial and non-financial information will constitute one of the major challenges companies will have to face when dealing with integrated reporting. Because of the lack of maturity on this aspect, enough time should be left to companies to experiment with different methods.

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).*

Many content elements required by the IIRC are already included in French law and companies’ practices: governance, risks, non-financial performance, etc. However, some of them will be complicated to publish for companies.

For example, considering the financial and non-financial information is for the moment mainly retrospective, the IIRC framework requires that companies publish prospective information about the business model (Section 4E) and its future orientation (Section 4G: Future outlook).

This prospective exercise could be quite difficult and random for companies. Information about future evolution is usually variable and insufficiently accurate, which creates potentially a legal responsibility problem. The choice of publishing prospective information should then clearly be left to companies.

The IIRC should not require that companies publish forecasts, especially in the financial field in an uncertain economic context, but it could recommend the publication of general objectives on non-financial performance. However, those objectives would not be a binding target but commitments to put in place tangible actions.

Moreover, many societies may obviously be reluctant to the idea of publishing confidential strategic information which could be used by their competitors, for example on business opportunities (Section 4C). In addition, financial communication rules authorize companies not to publish potentially prejudicial information, taking into account business confidentiality requirements.

The IIRC should take those aspects into consideration, for example by integrated a safeguard clause or allowing companies to communicate some part of their report only to investors, considered as the main audience for <IR>.

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?*

MEDEF does not consider such a statement as a necessity for the moment: governing bodies are already responsible for the documents they produce and non-financial information is not reliable enough to require a high commitment level from governing bodies. Moreover, this is not the priority and the IIRC should rather promote a larger experimentation of the <IR> concept to ensure progressively a greater reliability of content elements.

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?*

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?*

To put it in a nutshell, the integrated reporting is a positive concept and a real opportunity to improve internal and external company communication regarding strategy, activities and results considered globally.

But, as of to date, the <IR> concept is still at an early stage and its current level of maturity will make it difficult to become a standard. It is rather a goal to achieve. Its implementation raises a number of questions and operational difficulties which should be resolved to prevent a destabilization of the existing information architecture.

Quality and reliability of information will take time. The IIRC should not aim to provide a normative and complex reporting framework but rather encourage companies to progress and learn from their experience feedbacks.

The framework should remain a flexible and non-binding instrument companies can use and adapt to their particular situation and characteristics (business sector, size, maturity, etc.). It should keep on presenting general principles and not specific mechanisms.

That is why this is necessary to leave some time for experimenting and evaluating the framework: companies will progressively change their management and communication practices and their information system. The IIRC should therefore encourage more companies to experiment the framework and could then adapt it, after a longer experience period, based on the feedback from those companies.

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?*

Other

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