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Cliff response to the IIRC consultation on the « Integrated Reporting » Draft Framework

The IIRC (*International Integrated Reporting Council*) initiated a consultation on a draft framework for integrated reporting to which, if it were to be adopted, French quoted companies would be obliged to respect.

Cliff, the French association of financial communications professionals, created 25 years ago, represents through its members more than 100 French listed companies of all sizes and accounting for 90% of the capitalization of the Paris stock exchange. Its members, who are responsible for the relations between their company and the financial markets, participate in the production of financial, non-financial and strategic information within their companies.

Their expertise and positioning within their groups, imply that they are more and more actively coordinating and writing documentation destined to shareholders and more widely to all stakeholders. This recent evolution has been reinforced by the latest legal requirements of Grenelle II which now have to be provided in the Registration Document, registered with the stock market authority, the AMF.

The role of financial communications of listed companies has undergone very significant evolution over the last 25 years; from predominantly accounting-based communications at its origin, this was rapidly strengthened to provide a strategic content and so more prospective. The current evolutions of society, with more and more interaction and therefore porosity of the different communication channels of a company, imply very naturally that the Financial communications teams are required to ensure the coherence of the all the company's messaging whether it be external, internal, or on ESG matters, and which are being addressed not only to financial analysts and investors but also to all stakeholders.

This evolution corresponds to the perception that investors and observers may have of the listed company, including employees, clients, suppliers, medias, State ...

1/ An initiative that reflects the evolution of stakeholder needs.

The IIRC initiative in its intent is welcomed by the Cliff.

Corporate strategy needs to be understood even more as the world operating environment becomes more and more complex.

As such it is important to understand how the environmental, governance and human capital bricks are integrated into the corporate industrial strategy. Thus, clearly, measuring the performance of a company cannot be restricted to the analysis of the traditional financial indicators.

2/ Another report ?

Over the last years, there has been an uninterrupted increase in corporate financial information within a strict and demanding regulatory framework. This was necessary to respond to shareholder needs for more transparency and to build the confidence that is essential between a company and its stakeholders.



The quantity of documentation produced now is abundant, if not overwhelming, to the extent that it is no longer readable or accessible for those that are not financial specialists.

The application of this draft framework, as it is proposed today will result in the production of one more financial report, requiring a further control by the auditors.

The Cliff expresses a strong reticence to being required to produce a supplementary document in what is already considered to be a quagmire of information.

3/ Flexibility

The Cliff recommends leaving complete freedom to companies to define for themselves the most appropriate manner to discuss its strategy and incorporating all the societal dimensions.

Far from standardization or a standard framework, the Cliff recommends a narrative description of the strategy with reference to indicators when necessary that have already been reviewed by the auditors, in the base documents.

Not recognizing this point, will lead to a rejection of Integrated Reporting by the members of the Cliff.

4/ A lost opportunity

To take the reflection further, we fear that to move towards the Integrated Reporting as it is projected in the framework will actually detract companies from their strategic reflections towards Inclusive Business, consisting in truly integrating societal considerations into the industrial strategy. This is more and more what society and investors are waiting for, so as to understand the long-term vision of a company, guaranteeing long-term value creation.

Conclusion

The Cliff brings a response of principle to the IIRC Draft, against a supplementary audited report but in favor of a document that brings together, in a succinct format, information that has already been audited, together with a clear description of the business model and corporate strategy in all its dimensions.

The Integrated Reporting initiative has the advantage of bringing new ideas to the table and boosting the reflection of the level of useful information that all companies whether listed or not should provide to its stakeholders. At a time when the social media can judge the reputation of a brand so quickly, it is reasonable to raise the debate on the way companies establish their communication and identify the right level of disclosure, without further weighing on the already numerous reporting constraints.

The Cliff is willing to continue to participate in this reflection of the IIRC on this approach.

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