

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:	<input type="text" value="French committe for IR"/>
Email:	<input type="text" value="dledouble@ledouble.fr"/>
Stakeholder group:	<input type="text" value="Other"/>

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

Organization name:	<input type="text" value="French committe for IR"/>
Industry sector:	<input type="text" value="Not applicable"/>
Geographical region:	<input type="text" value="Western Europe"/>

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 project represents a real opportunity to improve corporate information to investors and audiences at large concerning the activity, the strategy and the results of companies. By integrating financial and non-financial information and by emphasising on long term strategic information, the project brings a new perspective on how issuers and readers see annual reports.

This will lead to :

- Better capital allocation considering managers and investors would make their decisions in better conditions
- improved relationships between companies and stakeholders based on clearer and more consistent information.

For all these reasons, we wish that this new debate will broaden and that the ideas developed by the IIRC will be increasingly used concretely for management and corporate information purposed by large businesses.

This evolution will take some time. While companies strengthen their practices step by step, it should be able to experience the new framework and, potentially, step back or make mistakes without being fearing regulations or being held accountable for such step backs or mistakes.

2. Regarding the spirit of IR

This framework project and the IIRC website sometimes give the impression that this subject is limited to corporate communication purposes. In other words, IIRC seems to be only interested in the output made public (the report) and leaves behind the management mode that produces the report. This ambiguity has to be removed. IR offers a holistic vision of a group and it spreads into management processes by integrating financial and non financial factors and by reporting its action on this basis.

The implementation of IR lies upstream on a modification of the company's management processes before leading downstream to a reform of its external communication. Indeed, the release of an integrated report while management processes are nothing but integrated generates a risk to disconnect reporting from realities (cf greenwashing).

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?*

French listed companies have to publish a detailed annual report and have to (or are encouraged to) publish a reference document which complies with European standards. Unfortunately, those documents are lengthy, which contradicts IR's principle of conciseness.

As it is unlikely that market regulators would change their current requirements in the short term, this means that the integrated report is:

- Either a summary of the reference document, to be totally included within corporate information requirements
- Either an additional document, partially or totally out of the scope of corporate information requirements and control by market regulators

Consequently, the matter of the control of the reliability and the sincerity of the information by an external third-party body arises differently, depending on which of the two approaches of the integrated report is selected.

At first, the French approach would rather integrating non-financial information into the introduction chapter or the summary of the reference document. This option would guarantee the consistency between the required information and investor presentations (roadshows).

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?*

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?*

The paper on the different types of capitals used in an economic activity sheds a new light on how companies operate. There would be no comment to make if this development was only for metaphoric purposes. But it is much different when it comes to the measurement of those capitals in terms of stocks and consumption during a financial year. Excepting for financial, manufactured and certain forms of intangible capitals there is no robust methodology which has been tests up at the moment. This is particularly true concerning the evaluation of human and natural capitals capitals (at least for those which are not subject to property rights) as well as the appreciation of their consumption. But there is no obstacle to describe and appreciate qualitatively those elements.

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?*

The distinctions between the economic model and business activity, risks / opportunities... tend to homogenize corporate disclosures. Actually such distinctions are difficult to make and this may lead to repetitions due to the overlaps between a few concepts.

The same issues of confidentiality of strategic affairs will raise when it comes to the description of the business model of the evolutions of the market.

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?*

The IIRC project, such as the 4th version of the GRI framework, focuses on the notion of relative materiality, in link with the principle of conciseness. However, there may be a contradiction between, on one side, this linkage to the appreciation of the issuer (which determines what is material for inclusion in the report at a last resort) and, on the other side, the standard safeguarded by the French market authority that demands accurate, precise and fair disclosures. This standard is not supported by the notion of a materiality threshold.

The materiality of the disclosures would be better framed with guidance by activity or by industry, completed with concrete examples, to explicit which indicators would be relevant and how much it would weight in a rating.

In addition to that, it is important to point out that the materiality principle (as defined in the IR) differs from the principle which is normally used when the financial statements

are made.

- Concerning financial information, the materiality threshold results from an analysis of facts & figures. In non-financial information, the threshold actually results from a choice made by the company, which decides what is material

- The materiality principle applied to the <IR> cannot only depends on the investors' decisions (by hypothesis : financial decisions). It has to also take into account the opinion of the other stakeholders which have a wider scope than the financial scope

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

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.

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).

Regarding future-oriented information

For this section, it would be appropriate to refer to the well-known distinction between forecasts and objectives, used in financial communication. For example, a company may be asked to publish its objectives in terms of CO2 emissions and to measure its progress linked to these objectives. But it is more difficult to ask a company to forecast those emissions. This key orientation in the IIRC work raises significant legal issues. Indeed, the legal rules applying to future-oriented information need to be investigated before considering its communication.

Supposing this question could be solved, most of companies will remain reluctant to

make public:

- some quantitative objectives
- some strategic decisions
- the progress of some projects...

And this is due to competition matters. Rules applying to financial communication allow an issuer to keep information internal if it could turn prejudicial. It is exactly the same for the OECD guidelines for multinational enterprises. It is important that this safeguard clause remains in the IIRC framework.

9. Regarding the content elements

A comparison between European rules and practices show that a large part of the information required by the IIRC document is already tackled in disclosures. This is particularly true regarding internal control, governance, risks and the management and these risks, operations, and, in France, the major social and environmental indicators.

But the following domains are merely mentioned in the French rules

- description of the business model
- integration of the concept of conciseness
- connection between financial information and non-financial information.
- Regarding opportunities, rules and practices are more developed on risks rather than on opportunities.

Companies consider that the communication of opportunities may cause trouble in terms of confidentiality and should not be included into their communication.

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?*

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).*

5. The matter of the scope

The matter of the reporting scope is crucial and the draft framework document probably lacks insights on this point. Yet it raises difficulties for both issuers and stakeholders.

Referring only to the scope used to establish consolidated financial statements may not be sufficient enough to report the traceability upstream and downstream of the products or the services offered by a company. In this case, the company's policy towards its suppliers, distributors and end-clients has to be reflected in a broader reporting system. Building such system may be difficult since it is fed with external data, sometimes hard to gather.

Considering this, the adequate reporting scope is likely to be specific for each company. It raises the issue of the comparability of the disclosures and the stakeholder's ability to use such information

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?*

Operational considerations

It appears that the innovation in the concepts tackled and the absence of robust feedback may risk to destabilize the current architecture of corporate information, if we do not take the vital time to test up the framework and evaluate the feedbacks.

This raises in priority the matter of the enlargement and the transparency of the pilot programs. The IIRC has to strive to feed issuers, investors and market regulators with its thoughts within an open dialogue.

Companies need some years to change their management and communication practices. Time is also needed to make the new information systems supporting these new practices reliable and stable enough, as it is asked be information users.

This phase of experimentation is vital in order to build new information which is useful to businesses, investors, other stakeholders and also accepted by regulators.

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.*