



**Marketplace working group  
on the notion of value creation by companies  
and the associated forms of reporting**

## **Response to the IIRC consultation IR Framework Implementation Feedback**

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Under the auspices of Paris EUROPLACE, a collective consultation has begun between concerned parties at the Paris Marketplace level (companies, investors, professional associations) on the notion of long term value creation by companies and the associated forms of reporting to their investors and other stakeholders.

The objective of the working group is to create a sharing and exchange platform between its members with a view to defining common Marketplace positions, by assessing the recommendations to be pooled at the European and international level with the different parties concerned.

The Marketplace working group welcomes the consultation put in place by the IIRC which should collate the opinions expressed by parties interested in potentially updating the framework.

As a Marketplace working group, our position does not aim to reply exhaustively to all of the questions asked, particularly concerning the operational implementation of the IIRC framework, but instead to formulate broader remarks based on feedback from the group members and notably companies already engaged in an integrated thinking process (whether they have experienced the framework or not) and from investors interested in an integrated approach and professional organisations which have stated their positions on the subject.

We support the general objectives and principles proposed by the integrated thinking approach, based on an integrated view of companies' financial and extra-financial performances. This innovative approach provides a clearer understanding of the value creation strategy over the long term and the overall performance of companies.

Companies which adopt a global value creation, or integrated thinking approach, express their need for flexibility in standard reporting choices. For this reason, we believe it is important to distinguish between the notions of integrated thinking and integrated reporting, guided by the IIRC framework, and clearly explain the notion of integrated thinking and the new concept of cycle of integrated thinking and reporting which are not clearly defined in the framework. Many companies endeavour to provide summary information reporting covering financial, environmental and social factors, without wishing to, or being able to, use the IIRC framework.

While we appreciate that the framework proposed by the IIRC remains a purely voluntary application, the Marketplace working group highlights that its implementation, or a voluntary reference to the framework, meets with difficulties. We shall cite 5 factors which we consider key issues regarding the framework objectives:

### **1/ Integrated reporting targets**

Changes to the framework should provide a clarification regarding recipients of integrated reporting.

The framework at several points refers to integrated reporting aiming to *“improve the quality of information available to financial investors, in order to allocate capital more efficiently and productively”*.

The idea is not to question the objective shared by the investors themselves, but to propose considering that integrated reporting may also be useful to all concerned parties interested by the companies' capacity to create value.

It is not a question of replicating reporting in order to take into account the various requirements of the concerned parties, but instead to design, at the companies' initiative, a modular architecture derived from the integrated reporting process which would constitute a basis and a reference base, in order to take into account the requirements of other bodies such as NGOs, ratings agencies and the public authorities. New technologies may also help fulfil these modular requirements.

### **2/ Governance body responsibility**

According to the framework, the governance body should notably declare that it is responsible for the *“integral nature of the integrated report established in compliance with the reference framework recommendations”*.

Such a declaration does not seem appropriate, in as much as the integrated report should include elements attributable to other entities or concerned parties and /or uncertainties which may increase risks of a misinterpretation by third parties and the risk of litigation.

It would therefore be preferable, as the framework reserves the possibility, to confine to an explanation of the role played by the governance body in *“the preparation and presentation of the integrated report”*.

### **3/ Information connectivity**

This is an interesting concept. Company decisions involve the assessment of a variety of available elements of information. Implementation gives rise to a number of questions however, such as taking into account a large number of different factors, many of which are external to companies, and the multiplicity and/or diversity of external and internal players, and the importance of behavioural aspects, the instability of certain elements, etc. The use of the connectivity concept should therefore be limited and must remain at the companies' initiative, as a function of their specific needs. All publications must also remain at the companies' initiative. It is vital that companies, under their own terms, take into account internally, in their decisions and actions, the main environmental, social and societal consequences of their business activities and different timeframes.

### **4/ Assessing the capital to be taken into account under the approach**

The framework does not propose a reliable assessment method for capital other than financial capital, some of which may not be held or controlled by companies, and insists instead on quantifying or assessing the effects of business activities on capital in order to gauge value creation. The effects should not and cannot be systematically assessed and quantified. This must remain at the companies' initiative, if they judge it worthwhile. Qualitative aspects should also be taken into account.

### **5/ Disclosure of sensitive information**

The framework insists on disclosing sensitive information such as prospective data and strategic objectives. Companies, which are keen to optimise their performances, are fully aware of the advantages of establishing medium and long term outlook for their business activities and providing guidance in their communication. However, all prospective exercises have their limits. Like the European legislation, the framework should insist more on the fact that this exercise should not damage the legitimate interests of companies and their commercial positioning.

In general, as the approach is being progressively structured, companies wish to be able to choose and test the method which suits them best. The IIRC reference framework must remain a voluntary approach. In contrast to the reference in point 1.1, which also occurs several times in the consultation, the framework must not become a standard and even less "*the corporate reporting norm*" which would be a further source of constraint.

It is indispensable to take existing regulatory obligations into account, particularly in terms of reporting, notably in France (article 225 of the Grenelle II law and article 173 of the energy transition law, transposition of the European non-financial reporting directive).

The approach proposed by the IIRC must not lead to the publication of another report. The opposite effect should be sought after. The objective for companies should be to simplify their institutional communication framework and limit the volume and replication of documents produced, by focusing on the real issues at stake regarding the integration of financial and extra-financial data. This simplification objective should be shared with the public authorities and European and international organisations, but also with investors, ratings agencies and other extra-financial information providers, which should be invited to target information required from companies more efficiently.

A concertation would be beneficial on the international level with the participation of the IIRC, to be undertaken in order to facilitate the choice and coherence of different approaches, so that the same levels of standards are adopted throughout all OECD countries and in order to work towards the convergence of US and European rules.