



Q4: Country/ Region	
France	
Q5: Stakeholder Group	Report preparer

Q6: Any preliminary or introductory comments (Example: If the response is the result of a focus group, please indicate attendees and their respective stakeholder groups).

About CAPITALCOM & our experience with regards to the Framework

CAPITALCOM is a French consulting agency specialized in integrated and responsible communication. Founded in 2005 by Caroline de La Marnierre, we provide support and advice to organizations in their dynamics towards the integration of corporate, financial (relationship with shareholders and governance) and non-financial dimensions (CSR and diversity).

We help our clients respond to their new paradigms (evolving investors and stakeholders' reporting expectations, deep mutation of the global economy, digitalization, drive for transparency,...) through the development of integrated thinking and stakeholder dialogue, thanks to 3 areas of expertise: governance and AGMs, integrated thinking and CSR/diversity.

CAPITALCOM shares the IIRC's long term vision of a world in which integrated thinking is embedded within mainstream business practice. We are strongly convinced that companies can use integrated reporting to provide a more complete and tailored presentation of their strategy, purpose and performance/value creation. An Integrated Report demonstrates how a business's strategy, governance, performance and future outlook will generate value in the short, medium and long term.

Capitalcom, with a team of 20 people, is leader in France on Integrated Reporting and the preparation of AGMs. We work mainly for top-ranking listed groups including Air Liquide, ENGIE, L'Oréal, LVMH, PSA, Sanofi, Solvay, SUEZ, etc. in their effort to achieve responsible performance. We participated to the preparation of the first Integrated Report to be published by a CAC 40 company, ENGIE, in 2013. Since then, we have been contributing to the development of integrated thinking in France. Now supervised by the ICR, we organized, since 2013, the annual conference on integrated thinking, gathering every year about 300 participants, key institutional bodies and professional associations (C3D, CLIFF, IFA, MEDEF...). CAPITALCOM, the Cliff (French Association of financial communication professionals) and Vigeo Eiris run in 2016 a large study, aiming at comparing investors' expectations, feedback from French companies and observed practices in France and internationally on integrated reports. 38 French companies and 21 international investors participated. 44 emblematic integrated reports have been deeply analysed, among which 16 in France.

In 2017, Caroline de La Marnierre founded the Institut du Capitalisme Responsable (ICR). The ICR is a centre for applied research on responsible and "integrated" thinking, meant for companies, investors and the wider financial community. As an independent and non-profit body, the ICR develops, manages and facilitates debates and interactions between leaders of high-ranking companies, civil society representatives and interdisciplinary financial lead experts. Together, they aim to drive companies, investors and the wider financial community towards a more integrated, responsible and sustainable thinking. The ICR is made up of i) an executive board, decision-making body of 11 high-ranking companies leaders ; ii) a College of Experts, advisory body of 22 experts ; iii) an Office to manage the ICR activities ; iv) several think & do tanks and landmark events, which gathers more than 110 members and have been paving the way towards responsible capitalism.

Q7: Q1(a) What is your experience with the multiple capitals approach in integrated reports?

We believe that the concept of “capitals” is relevant from a research perspective. It helps companies’ understanding of the upstream stages of integrated thinking and the assessment of their different impacts, beyond financial materiality and financial impacts. As such, we believe it helps companies to transition from a financial perspective to a global performance perspective, helping them to identify complementary dimensions of performance. It can also be a useful tool for identifying and analysing interactions between a company and its stakeholders (along their value chain) as well as interactions between the different dimensions of performance.

Yet, we believe – at Capitalcom – that the multiple capital approach remains very conceptual and as such, cannot be the cornerstone of an integrated report. Indeed, from the benchmarks we have conducted on this topic (companies’ implementation of this approach), it seems that it can either be too complex or too generic. On this last point, it would appear to us to be detrimental to integrated thinking as:

- it doesn’t help to better understand a company’s core business, its specificities, its unique flows of value creation or interactions with stakeholders and hence, make organizations all alike. It seems to us that it is even truer when companies try to implement capitals in a dynamic approach (income/input / outcome/output) as most companies tend to use the same KPIs.
- we’ve noted that some companies tend to distort indicators to link/blend them with capitals: they all appear at the same level of importance, hence diluting the identification of major impacts or most material indicators (eg. Most companies experimenting such approach tend to treat all of the capitals, mixing major KPIs – be they financial or not – with KPIs of secondary importance).

Q8: Q1(b) What, if anything, should be done and by whom to improve this aspect of implementation?

We would suggest to focus on the hierarchisation of capitals – at a company level – in order to align them on each company’s core business and specificities.

Also, we have noted some good practices amongst companies. Rather than trying to explain a company’s impacts on different capital stocks – which we believe to be a “negative” approach (of a company depleting resources) – some companies apply the multiple capital approach on their relations with their stakeholders: how they “appear” on the value chain and how the company is working with them to create value. Not only this approach is more positive (not only incoming flows, but outcomes), but it also reflects value creation and co-construction with stakeholders. We also believe that this stakeholders-centric approach enables a more company-focused communication, tailored to a company and its clients, employees etc (ex. Aegon).

Q9: Q2(a) What is your experience with connectivity in integrated reports as an indication of integrated thinking and/or enabler of enhanced decisions?

Connectivity is a keystone of integrated reports and beyond, of integrated thinking. We believe that it reflects to which level integrated thinking is embedded into an organization's activities, decision-making and strategy. Yet, connectivity remains in our opinion one of the most complex principles to apprehend for companies, as it relates not only to the connection of information in the report, but also to connectivity between past, present and future, the capitals, financial information and other information, etc.

So far, and in their first years of experimenting integrated reporting, we noted that companies tend to achieve a good connectivity of information, at a communication level.

It is also an element that improves every year, as companies capitalize on the work conducted as part of the reporting project to infuse connectivity in decision making and working process. Learning by doing, we believe that it enables a progressive transformation of companies towards integrated thinking and favors new behaviors.

Also, we are strongly convinced that – for many companies – the preparation of an integrated report contributes to the communication of non-formalized messages that pre-existed at management level.

Beyond integrated reports, we are – at CAPITALCOM – convinced that companies are increasingly improving the quality information they communicate to their shareholders and stakeholders, sharing their prospective vision, their strategy and how they create value. In particular, as experts on AGMs in France, we have followed for the past 12 years the evolution of AGMs through the Grand Prix de l'Assemblée Générale (<http://www.grandprixdelag.fr>), now under the supervision of the Institut du Capitalisme Responsable created by our President, Caroline de La Marnierre (<http://www.capitalisme-responsable.com>). We have clearly noted a switch in this regard, with companies linking together content elements: integrated of CSR information, presentation of their ecosystem, reporting on the progress of their strategic roadmap, better information on governance and remuneration,...

Q10: Q2(b) What, if anything, should be done and by whom to improve this aspect of implementation?

please consider our answer to Q2(a). We believe that connectivity is an element that improves every year, as companies capitalize on the work conducted as part of the reporting project to infuse connectivity in decision making and working process. Learning by doing, we believe that it enables a progressive transformation of companies towards integrated thinking and favors new behaviors.

PAGE 4: Key stakeholders' legitimate needs and interests**Q11: Q3(a) What is your experience with the identification, in integrated reports, of key stakeholders' legitimate needs and interests and how those needs and interests are considered and addressed?**

We noted that the identification of key stakeholders' legitimate needs and interests is often dealt-with through materiality matrices & analyses or – to a lesser extend – by a cartography of stakeholders. If some good practices can be observed, most materiality matrices remain – from our observations – CSR-focused and – as such – not much of a strategic tool. In particular, we have noted limits in linking these matrices with strategic market analyses and trends' identification. The connection is often made "ex post" rather than merged together or "at the root" of the market trends' definition.

Also, many companies have conducted such exercise in a defensive approach to show that they have engaged dialogue with their stakeholders and identified their expectations, rather than explaining the outcomes. Most of the time, this approach is led and monitored by CSR Departments, which can also represent a limit in terms of internal diffusion.

Q12: Q3(b) What, if anything, should be done and by whom to improve this aspect of implementation?

Equally with integrated reports, there is room for improvement to transform materiality analysis from a CSR steering tool into a strategic steering and management tool jointly used by key support departments. Endorsement of the results by management teams and/or the board represents a strong driver of improvement.

We are convinced that such analyses should cover not only CSR issues but also stakeholders' expectations from a financial and business perspective. Hence, 'integrated' materiality matrices could and should be used to enrich companies' strategic thinking.

Attention should also be paid to explaining the outcomes: It can help companies demonstrate that they develop mutually beneficiary relations with their stakeholders.

PAGE 5: Materiality and value creation

Q13: Q4(a) What is your experience with the Framework's definition of materiality, in particular: • Application of the value creation lens? • Use of different time periods to identify material matters?

As explained above (Q3A), we believe that materiality should go beyond the identification of material issues or the importance of stakeholders' expectations. It should focus on the company's added value with regards to the most critical issues identified, and how it creates and shares value with and for its stakeholders. In regards, it is of utmost importance to analyze CSR issues along with economic, financial and business issues. Materiality should be used to foster connectivity between the ecosystem, the strategy and the performance.

Another point of attention is the use of different time period. Indeed, while it is of utmost importance to identify emerging issues and current priority topics, presenting both of them and their trends, it appears that the representation of different time period is complex.

Also, most materiality matrices are presented without their methodology or the analysis and interpretation of their results.

Q14: Q4(b) What, if anything, should be done and by whom to improve this aspect of implementation?

First, we believe that companies should detail the methodology of their materiality analysis and comment on the results, in addition to presenting them. Also, the comment could focus on the evolution of the trends. It would not only provide added value on the strategy but also explain the rationale and the evolution of the strategy with regard to the evolution of the ecosystem.

Transparency is a key issue in this regard. In particular, we believe that companies must learn to and assume not to be totally in line with their stakeholders' expectations, as well as their will to prioritize key topics of interest for them (In line with their corporate culture, core value and strategy). On the contrary, explaining these discrepancies can prove to be very interesting as a source of added value in terms of credibility and trust.

PAGE 6: Conciseness

Q15: Q5(a) What is your experience with the conciseness of integrated reports?

As organizations gain experience with the Framework, their integrated reports often become more concise. Beyond the conciseness, we believe that it is mainly a question of information level and split between content elements throughout the report. Through our benchmarks as well as the study CAPITALCOM conducted in partnership with the non-financial rating agency Vigeo-Eiris and the French Investor Relations professional network (CLIFF) in 2016, we noticed that companies tend to allocate more pages to the performance section. We may interpret this as an element of comfort, because performance results are already disclosed in other publications – in opposition to new content elements on which companies are not used to communicate upon.

Q16: Q5(b) What, if anything, should be done and by whom to improve this aspect of implementation?

An improvement target could be to balance information volume of the different content elements. Regarding performance in particular, we believe that there should not be any predetermined format and that an axis for improvement relates to the way companies structure information on their performance. In an integrated thinking perspective, we believe that companies should report on the progress of their strategic roadmap and how it contributed to create value for the company and their stakeholders.

Materiality appears as a key element to drive the conciseness of the report in terms of information selection, to focus on most material issues. Then, connectivity with other reports is also key to focus on most material issues, through the development of cross references, especially on KPIs and appendices. This should allow companies to focus integrated reports on qualitative and value-added information and a limited number of selected KPIs.

PAGE 7: Business model – outputs and outcomes

Q17: Q6(a) What is your experience with the reporting of business model information, particularly outputs and outcomes?

Please also consider our answer on question 1A.

We believe that the "Business model" content element remains one of the main areas of progress for companies, as reflected in a study conducted by CAPITALCOM in 2016, in partnership with the CLIFF and Vigeo-Eiris. Indeed, as part of this study, we surveyed mainstream and SRI investors on IR on the potential discrepancies between their expectations and IR they had read. Most said that companies' business models were not satisfactory yet. First, we noted that most of the time, it's synthesized with a computer design.

To our opinion, business models remain rather complicated and lack dynamism. Graphic approaches are often deemed too classical too. We also have the impression that companies are trying to aggregate too many strategic messages: presentation of activities? of the business model? Of the strategic assets? Of the value chain? On the last point, value chains often lack clarity and a simple definition to begin with.

We believe that the definition remains quite vague, allowing organisations to adapt their answer but contributing to the lack of clear solution.

Q18: Q6(b) What, if anything, should be done and by whom to improve this aspect of implementation?

The first line of approach could be to improve the definition by being more explicit on what a business model should present. Should the presentation of the business model focus on its current specificities – as a photograph, or should it present its transformation process in a dynamic approach? As such, the latter could prove to be very complex to implement or too theoretical.

The value chain approach is often used by companies to explain their activities. But it can prove difficult when aggregating on one single "map" the description of activities, their outputs, outcomes and impacts on stakeholders. Also, it can prove difficult to figure a group with multiple business models.

PAGE 8: Those charged with governance / Framework identification

Q19: Q7(a) What is your experience with whether reports: (i) identify the involvement of those charged with governance, and (ii) indicate that they are presented in accordance with the Framework? What are the implications of excluding such information?

Involvement of those charged with governance is often embodied by the editorials or introductory messages (from the CEO, president or an executive). Yet, our experience in working with companies in the preparation of their report showed that those charged with governance are often involved throughout the preparation of the report, in particular during the launch of the project and its validation. We believe that this involvement should be presented in the report as it's not only a sign of credibility and commitment from the company's governance bodies, but it also reflects integrated thinking. As integrated report is positioned as the first reference point for stakeholders who seek to understand companies' strategy and how they create value, it should be endorsed by governing bodies. They should also determine the materiality of information for inclusion in the report.

Also, we noted that companies can be reluctant to endorse the IIRC framework, although they appreciate its opposability and the support it provides. It is important that the framework remains a voluntary reference for integrated reporting and integrated report.

Q20: Q7(b) What, if anything, should be done and by whom to improve these aspects of implementation?

We advocate for the diffusion of integrated thinking at board level. From our experience, board members can foster integrated thinking and its implementation at all levels of a company. Awareness raising can also trigger a dynamic towards integrated thinking, brainstorming and involvement in the development of integrated reporting.

As for integrated report, we share the belief that the Framework should remain voluntary, its implementation should not be made mandatory nor follow a « comply or explain approach » : a free use of the framework ; companies can use its concepts to define the best reporting lines that fit their specificities towards tailored. Companies can then take 'ownership' of the framework.

PAGE 9: Other Guiding Principles

Q21: Q8(a) What is your experience with the application of these remaining three Guiding Principles in integrated reports?

Equally to the concept of value creation, strategy is a cornerstone of an integrated report. Both can constitute the guiding line of the report.

From our experience, we haven't identified specific issues with the implementation of other guiding principles. Regarding the reliability and completeness of information, we observed that companies align the report with existing indicators and that the implementation of new indicators remains limited at this stage. Although it remains limited in terms of disclosure and difficult to implement, we also think that the integration of negative elements can add value to the report, in terms of transparency and credibility.

Q22: Q8(b) What, if anything, should be done and by whom to improve these aspects of implementation?

A line of approach could be to underline the importance of strategy in an integrated report, as a driver to value creation, with the alignment of and connectivity between other content elements revolving around strategy, as a mean to create value. The prospective vision is also key in this regard. And the presentation of quantitative performance measurements as well as retrospective information illustrate the value created by the implementation of the strategy. It is also important to give a balanced presentation of value creation, between quantitative and qualitative information, between the different dimensions of value, and between the company and its stakeholders.

PAGE 10: Other Content Elements

Q23: Q9(a) What is your experience with how these remaining Content Elements are reported in integrated reports?

We believe that some parts of the framework could be simplified as some elements appear slightly redundant or confusing. Also, there are some redundancies between the “principle” of strategy and “strategy” as a content element. Same goes between the “organisation overview” and the “business model”, where some concepts can appear several times.

Q24: Q9(b) What, if anything, should be done and by whom to improve these aspects of implementation?

Also, it could be interesting to present companies' value chain in the introduction, from an educational perspective. Connectivity between "risks and opportunities" and the "external environment" should also be favored.

PAGE 11: Other quality issues

Q25: Q10(a) Aside from any quality issues already raised in Q1-Q9, what is your experience with the quality of integrated reports?

CAPITALCOM is convinced that the increasing number of integrated reports constitute the best way to improve the quality of integrated reports. Learning by doing is the best driver of improvement. We believe we still are in a phase of experimenting integrated reporting and the framework. In particular in France, where about twenty companies have already published an integrated report (they were only 5 in 2015, only one in 2014 and none in 2013) and almost as many are considering to produce one in the upcoming years.

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As part of its continuous improvement drive, it fosters the identification of good practices and the implementation of tailored reporting, helping companies implementing practices that suit them and contributing to the overall improvement of information disclosed.

Every new report is also a way for companies to experiment new approaches towards value creation and strengthening their own reporting process.

PAGE 12: Other enablers, incentive and barriers

Q27: Q11(a) What is your experience with enablers, incentives or barriers to Framework implementation not covered by other questions, including the extent to which they apply particularly to: • Specific jurisdictions? • Large or small organizations? • Private, public or non-profit sectors? • Different stages of Framework implementation?

As a leading actor in France, Capitalcom - along with the Institut du Capitalisme Responsable - contributes to the diffusion and promotion of integrated thinking. We are convinced that the diffusion of good practices and the sharing of experience between companies constitute key levers in this regard. We believe we still are in a phase of experimenting integrated reporting and the framework. Learning by doing is the best driver of improvement. While companies with already advanced integrated thinking can easily implement integrated reporting and publish integrated report, preparing an integrated report also triggers a dynamics towards integrated thinking. It helps breaking silos between informations, internal communication between different departments and fosters dialogue between a company and its stakeholders.

We believe that all type of organizations can benefit from integrated thinking, be they large or small, private, public or non-profit. In particular, integrated thinking and the framework can help small organizations with limited resource in focusing on the most relevant information to communicate upon. The development of an integrated approach at strategic level can foster the identification of a selected KPIs and the implemented of a focused reporting. It is often said that integrated reporting represent the "next step" of reporting. For companies that are not yet in the process, we believe that the framework can represent an opportunity for small organizations to directly align the structure of their reporting on their strategy, towards a clear, concise, materiality-focus reporting. The identification of good practices also contribute to an easier implementation.

Q28: Q11(b) What, if anything, should be done and by whom to improve these aspects of implementation?

We believe that there is a significant effort to be made toward small and mid-size organisation in terms of awareness raising and pedagogy. Contrary to other demanding, exhaustive reporting frameworks, the IIRC framework remains open and voluntary. This constitutes a strong driver of attractivity for small organizations lacking resources to implement complex reporting process. This is why the 2017 annual conference on Integrated thinking organised by the ICR and created by CAPITALCOM will also address this topic. Organized on October 10th at the MEDEF, one of the objectives will be to raise awareness and embark smaller organizations in the process.
