

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.

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| Stakeholder group: | Professional bodies – Other |

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

| | |
|----------------------|---|
| Organization name: | SFAF (société française des analystes financiers) |
| Industry sector: | Financials |
| Geographical region: | 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.

First, we want to mention that our association does not only represent equity sell side analysts, but also fund managers, fixed income analysts, ESG analysts, appraisers, corporate bankers and to a certain extent listed companies.

The high level of professionalism of our members makes it necessary for them to have the most accurate and precise information about the companies they cover.

Notwithstanding the fact that integrated reporting, as described in the draft framework, would be a very efficient tool to understand a company in a first contact, our concern is that it might result in a loss of information for our members having an indepth knowledge of the companies (that's what we have seen when looking at companies that have already implemented IR).

For instance we remain committed to having a complete set of financial statements (including notes) as soon as possible, and especially to limit the time span between the release of the results and the release of these accounts. Hence, our recommendation would be that the integrated report should be published at the same time as the complete accounts.

We also question the positioning of IR compared to those documents that are registered with stock market regulators, and of the legal value of IR.

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.*

We are familiar with principles-based requirement and believe having some is a positive step. Nevertheless, we feel that some of these are far too general and sometimes redundant (especially those mentioning the questions companies should answer to). We also feel concerned by requirement 4.4 where items such as detailed financial accounts appear only as appendices of the integrated report

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?*

We agree with the concept of interaction. But, as far as our members are concerned, we believe that a simplified version of the accounts won't fulfill their needs. So it makes it possible that they might simply not use the integrated report. A clarification of the position of the stock market regulators seems highly necessary.

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?*

The European Association of Financial Analysts (EFFAS)
OECD
WICI

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?*

We fear that the categories of capital are not defined and normalized precisely enough so that analysts could use them in a relevant way.
By being too general, they generate a risk of boilerplate information.
The question of ownership also needs to be addressed.

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?*

We agree with this very general definition.
Nevertheless, we point the fact that the aim of a business model is not primarily to create value in the short term.

Business model (Section 2C) continued

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?*

We do not consider that the fact that users are providers of financial capital should be stated as a criteria for materiality.
Materiality has to be assessed through internal criteria linked with the business of the company and its value creation process.

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

We believe that a clear distinction needs to be made between known and potential effects (5.6). And that companies should make their best efforts to provide quantitative information about known effects.

The focus towards conciseness appears to us as being of major importance

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?

The reliability of an IR can be demonstrated through :

- audit and data certification
- governance bodies' involvement
- stock market regulator's involvement

we question the 3.35 point "freedom from material error does not imply that the information is perfectly accurate" and believe that it might put a damper on IR's credibility

14. Please provide any other comments you have about Section 3E.

we fear that restrictions linked to the competitive advantage might appear to a certain extent to be contradictory with the objectives of IR

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).

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?

Those charged with governance should be involved in the IR process.
we suspect that it will be difficult to implement if data are not audited

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?*

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?*

We believe that long term value creation measurement and the way to measure the links between the capitals (especially the intangible ones) should be given priority

Other

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

Please save the completed PDF form to your computer and submit via the IIRC website at www.theiirc.org/consultationdraft2013