

8^{èmes} États Généraux DE LA RECHERCHE COMPTABLE

10 décembre 2018

AVEC LE SOUTIEN DE :



Canal 1 : français

Channel 2: English



8^{èmes}

États
Généraux
DE LA
RECHERCHE
COMPTABLE

10 décembre 2018

8^{èmes}

**États
Généraux**
DE LA RECHERCHE
COMPTABLE

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Bruce Van Barthold
Animateur

8^{èmes}

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Introduction

Patrick de Cambourg

Président de l'Autorité
des normes comptables (ANC)



èmes

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10 décembre 2018



Message

Bruno Le Maire

Ministre de l'économie et des finances

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Siegfried Mureșan
Député européen

Comptabilité et information extra-financière : panorama actuel du contexte et des pratiques



8èmes

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èmes

États

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Reporting non financier des sociétés du CAC 40 : multiplicité des règles et hétérogénéité des pratiques

Hervé Stolowy
HEC Paris

Motivation

- ◆ Growing awareness by the financial community of the importance of governance quality factors as well as social and environmental factors for the performance of listed companies
- ◆ Strong development of non-financial information
 - regulations, for example from the European Union
 - soft-law regulations (e.g., IIRC (International Integrated Reporting Council))
- ◆ Many stakeholders (e.g., investors and financial analysts) use non-financial information produced by companies or by specialized providers such as Thomson Reuters, MSCI or Sustainalytics

Research focus

- ◆ CFA Institute study (2015): 73% of participants reported using non-financial information about corporate governance, environment or social information
- ◆ Development of non-financial information => “Information overload”?
- ◆ Exploratory study:
 - present the regulations and the main concepts concerning non-financial information
 - study the nature of the reports constituting the financial and non-financial communication of a sample of large French groups (CAC 40 companies)
 - examine more specifically the content of non-financial information from the reports of companies publishing several reports
 - propose some ideas for discussion

Heterogeneity in concepts and definitions (1)

Reporting /Communication	Definition	Guides
Sustainability reporting	“An organization’s practice of reporting publicly on its economic, environmental, and/or social impacts, and hence its contributions – positive or negative – towards the goal of sustainable development” (Global Sustainability Standards Board 2016)	Global Reporting Initiative
Sustainability	“Sustainability refers to <i>environmental, social and governance</i> (ESG) dimensions of a company’s operation and performance. More specifically, sustainability includes both the management of a corporation’s environmental and social impacts, as well as the management of environmental and social capitals necessary to create long-term value. It also includes the impact of environmental and social factors on innovation, business models, and corporate governance” (Sustainability Accounting Standards Board 2013, p. 7).	77 industry-specific standards
Corporate social responsibility [reporting]	“Concept whereby companies integrate social and environmental concerns in their business operations and in their interaction with their stakeholders on a voluntary basis” (European Commission 2001, p. 6). Corporate social responsibility is “the responsibility of enterprises for their impacts on society” (European Commission 2011, p. 6).	-
Integrated reporting	“An integrated report is a concise communication about how an organization’s strategy, governance, performance and prospects, in the context of its external environment, lead to the creation of value over the short, medium and long term” (International Integrated Reporting Council 2013, p. 8).	Integrated Reporting Framework (IIRC)

Heterogeneity in concepts and definitions (2)

Reporting / Communication	Definition	Guides
Integrated reporting	“Process of building an integrated report by combining financial statements and sustainability reports into a coherent whole that explains company’s ability to create and sustain value” (Deloitte 2015).	-
Non-financial reporting	<p>Non-financial [consolidated] statement: “information to the extent necessary for an understanding of the group’s development, performance, position and impact of its activity, relating to, as a minimum, environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters including:</p> <ul style="list-style-type: none"> (a) a brief description of the group’s business model; (b) a description of the policies pursued by the group in relation to those matters, including due diligence processes implemented; (c) the outcome of those policies; (d) the principal risks related to those matters linked to the group’s operations including, where relevant and proportionate, its business relationships, products or services which are likely to cause adverse impacts in those areas, and how the group manages those risks; (e) non-financial key performance indicators relevant to the particular business”. <p>(European Union 2014, articles 19a and 29a)</p>	<p>Guidelines on non financial information (2017/C 215/01) (Commission européenne 2017 ; European Commission 2017)</p>

Evolution of French regulation

Texte	Document affecté	Champ d'application	Contenu
Loi du 15 mai 2001 relative aux nouvelles régulations économiques (« loi NRE »), article 116	Information sociale et environnementale (au sein du rapport de gestion)	Sociétés cotées	Informations relatives aux conséquences sociales et environnementales de leurs activités
Loi du 12 juillet 2010 portant engagement national pour l'environnement (« Loi Grenelle 2 », articles 225 et 224 du Code de commerce)	Rapport de responsabilité sociétale des entreprises (au sein du rapport de gestion)	Sociétés cotées et grandes sociétés non cotées.	Informations sur la manière dont la société prend en compte les conséquences sociales et environnementales de son activité ainsi que sur ses engagements sociétaux en faveur du développement durable. 43 informations
Loi du 17 août 2015 relative à la transition énergétique pour la croissance verte	Reporting en matière d'enjeux climato-énergétiques, d'économie circulaire et de gaspillage alimentaire		Liste prévue à l'article R 225-105 du Code de commerce
Ordonnance du 19 juillet 2017, décret du 9 août 2017 (transposition de la directive européenne de 2014 (Union Européenne 2014))	« Déclaration de performance extra-financière » (au sein du rapport de gestion)	Exercices ouverts à partir du 1 ^{er} septembre 2017. Périmètre plus restreint que loi Grenette 2 pour les sociétés cotées : grandes sociétés cotées. Périmètre inchangé pour les sociétés non cotées : grandes sociétés non cotées. Publication volontaire possible.	Informations sur le plan social, environnemental et sociétal. Article L. 225-102-1 du Code de commerce. Analyse des risques conduisant à ne présenter des informations que sur les thématiques à risque significatif.

Number of reports published by each company

	N	%
1	5	12.2
2	21	51.2
3	10	24.4
4	5	12.2
Total	41	100.0

Detail of the publication of the registration document

Name of the document	N	Companies
Document de référence [Registration document]	6	Kering, Legrand, LVMH, Michelin, Pernod Ricard, Unibail-Rodamco
Document de référence et rapport financier [Registration document and financial report]	22	Accor, Air Liquide, Atos, Axa, BNP Paribas, Capgemini, Carrefour, Crédit Agricole, Danone, Engie, Essilor International, Hermès International, Orange, Peugeot, Publicis Groupe, Renault, Safran, Sanofi, Société Générale, Total, Veolia Environnement, Vivendi
Document de référence s'appelant également rapport intégré [Registration document also called integrated report]	1	L'Oréal
Document de référence s'appelant également rapport intégré, rapport financier et développement durable [Registration document also called integrated report, financial report and sustainable development]	1	Valeo
Document de référence intégrant le rapport intégré [Registration document including an integrated report]	1	Sodexo
Rapport annuel équivalent à un document de référence et rapport financier [Annual report equivalent to a registration document and financial report]	2	LafargeHolcim, Vinci
Document de référence incluant la RSE sur la page de couverture [Registration document including CSR on the cover page]	3	Bouygues, Saint-Gobain, Schneider Electric
Registration document (in English)	1	Airbus Group
	37	

Différents types de reports

Reports	N	Companies
Document de référence ou équivalent [[Registration document or equivalent]	37	
<i>Comptes consolidés / Rapport financier [Consolidated statements / Financial report]</i>	10	
<i>Financial statements (in English)</i>	1	
Total financial statements (French, English)	11	
<i>Rapport intégré [Integrated report]</i>	12	
<i>Rapport intégré extrait du document de référence [Integrated report extracted from the registration document]</i>	3	<i>Legrand, Sodexo et Valeo</i>
<i>Integrated report (in English)</i>	2	<i>ArcelorMittal, Sanofi</i>
Total integrated report (French/English)	17	
<i>Rapport RSE [CSR report]</i>	6	<i>BNP Paribas, LVMH, Michelin, Peugeot, Safran, Unibail-Rodamco</i>
<i>Rapport RSE extrait du document de référence [CSR report extracted from the registration document]</i>	3	<i>Bouygues, Essilor International et Vinci</i>
Total CSR report	9	
Sustainability report (in English)	2	LafargeHolcim, L'Oreal
Rapport environnement/climat [Report environment / climate]	2	LVMH, Total
Rapport RSE/Reporting intégré (CSR report / Integrated reporting)	1	Atos
Rapport annuel non financier [Annual report non financial]	11	Air Liquide, Atos, Capgemini, Carrefour, Danone, Essilor International, Kering, L'Oréal, LVMH, Pernod Ricard, Renault
Essentiels [Essentials]	1	Veolia Environnement
Activité [Activity]	2	Renault, Veolia Environnement
Section RSE dans le document de référence [CSR section in the registration document]	35	

Analysis of non-financial reporting

- ◆ Non-financial information can be reported:
 - In the “main” document which corresponds to the registration document and annual report (for foreign companies that do not make a registration document)
 - In one (or more) separate report(s)
- ◆ 35 companies (out of 37) include a CSR section in their registration document
- ◆ Why do some companies publish non-financial information in a separate report in addition to the one published in the registration document?
- ◆ Study of the case of companies that publish several reports, including several reports that may contain non-financial information

Methodology (1)

- ◆ Comparative analysis of companies through the study of documents is difficult
- ◆ Uniformity = registration document probably because it is based on a regulation established by the AMF
- ◆ Separate reporting, whether referred to as “integrated reporting” or “CSR reporting”, is uneven in structure and content

Methodology (2)

- ◆ The reports are compared in pairs (for example registration document vs. integrated report or registration document vs. CSR report)
- ◆ List of topics (e.g., value creation, environment...)
- ◆ Three scenarios:
 - 1. A topic is not treated as such
 - 2. A topic is briefly discussed
 - 3. An entire part, a sub-part, or an entire page of the report deals with the topic

Registration document and integrated report

- ◆ Registration documents are lengthy (425 pages on average for the 12 companies)
- ◆ Much longer than the integrated reports (57 pages on average for the 12 companies)
- ◆ On average, the registration document represents 8.6 times the size of the integrated report
- ◆ A detailed comparison would not necessarily be an appropriate methodology in view of the great difference in size between the documents

Registration document and integrated report (2)

- ◆ Few major differences in content
- ◆ In six out of 12 cases, “value creation” is more developed in the integrated report
- ◆ In four out of 12 cases: “risks” is less developed in the integrated report
- ◆ In three out of 12 cases, the integrated report presents more interviews
- ◆ Other topics: developed without significant quantitative difference across documents

Registration document and integrated report (3)

- ◆ Clear difference of form between the documents
- ◆ Integrated report: more color and graphs
- ◆ Example the section “sustainable value creation” in the registration document and the Axa Integrated Report

Registration document and integrated report (4)

- ◆ Difference in methodology for the development of the separate integrated report
- ◆ Example of Bouygues => implementation of a “collaborative” approach to developing the integrated report
- ◆ Several separate integrated reports emphasize the readership targeted by these reports by referring to all stakeholders
 - and not only investors and the financial community (registration document)
- ◆ Example of Capgemini

Integrated report with no registration document

- ◆ Two (foreign) companies (ArcelorMittal and Solvay)
- ◆ Difference in design
- ◆ Solvay: one report entitled “integrated annual report”
- ◆ ArcelorMittal: two documents
 - second “Integrated annual review”
- ◆ The first report (Solvay) = combinatorial approach
 - Includes both the developed financial statements and the traditional elements of the integrated report namely value creation and the environment
- ◆ ArcelorMittal report: classic elements of the integrated report (business model, value creation, environment, strategy, risks ...)

Registration document and CSR report

- ◆ 6 companies
- ◆ Comparative length of documents: same as for the integrated report
- ◆ The registration documents are lengthy (387 pages on average for these 6 companies)
- ◆ Much longer than the integrated reports (104 pages for these 6 companies)
- ◆ On average, the registration document = 7 times the size of the CSR report

Registration document and CSR report

- ◆ Small sample (6 companies)
- ◆ Developments are mixed
- ◆ Three companies: less on the topic of value creation in the CSR report
- ◆ One company: opposite trend
- ◆ Four out of six cases: topic “risks” less developed in the CSR report
- ◆ As with the integrated report, separate CSR report based on more graphics, images and color than the registration document

Publication of three or four documents (1)

- ◆ Companies that publish at least three reports, excluding the financial report / consolidated financial statements and excluding the integrated report or CSR extracts of the registration document
- ◆ Eight companies (Atos, Capgemini, Kering, L'Oreal, LVMH, Peugeot, Renault and Veolia Environnement)
- ◆ We have already studied the dual publication => third document

Publication of three or four documents (2)

- ◆ (Non-financial) annual report: elements on strategy and activities, as well as a detailed presentation of the management team
- ◆ It can also focus on the brands of the group
- ◆ Group publishing both a registration document, an integrated report and a CSR report:
 - Very short integrated report (32 pages)
 - Focus on value creation
 - Very long CSR report (308 pages)
 - Covers the whole range of social, societal and environmental information

Publication of three or four documents (3)

- ◆ “Activity” report,: two companies publishing it have opposing views
 - First case: content close to that of the non-financial annual report (strategy, environmental elements)
 - Second case: based on performance, both commercial and financial
- ◆ With regard to the form:
 - non-financial annual report, such as integrated reporting and CSR: uses more color and graphics
 - Use more photos than the registration document and the other two reports

Publication of a registration document including an integrated report and / or CSR report

- ◆ Example 1: Valeo



Publication of a registration document including an integrated report and / or CSR report

◆ Example 2: L'Oréal



Publication of a registration document including an integrated report and / or CSR report

◆ Example 3: Saint-Gobain

DOCUMENT DE RÉFÉRENCE 2017

incluant le rapport financier annuel
et le rapport de responsabilité sociale d'entreprise

Publication of a registration document including an integrated report and / or CSR report

- ◆ Content of the integrated report contained in the registration document for the three companies concerned
- ◆ In all three cases: integrated report appears at the beginning of the registration document as a stand-alone section and clearly identified as an “integrated report”
- ◆ Discusses classic topics: strategy, governance, organization and trend / growth

Discussion and conclusion (1)

- ◆ Although the content of the registration document is standardized and intended to contain non-financial information in “sufficient” quantities => companies often publish a second (or even third) report that also contains non-financial information
- ◆ Comparison:
 - Great difference in form
 - Substance: first impression = no major differences between these documents
 - Separate integrated report may appear as a summary of the registration document

Discussion and conclusion (2)

- ◆ Content of the integrated report published within the reference document: classic content addressing in particular strategy and risks
- ◆ Separate report
 - Different use => intended for a wider readership
 - Several integrated reports explicitly mention “all stakeholders”
- ◆ Collaborative development process of some separate reports (integrated or CSR) (e.g., case of Bouygues)
- ◆ Creation of internal processes that improve the consideration of CSR criteria

Discussion and conclusion (3)

- ◆ Content of reports variable and not always easy to understand from the title of the report
- ◆ Good practice: present their various reports by briefly defining their content.
- ◆ Example from Capgemini and l'Oréal's annual reports
- ◆ Descriptions are useful to the reader

Exemple 4: Capgemini



Le **Rapport Annuel** met en évidence notre ambition, notre stratégie et les principales activités de l'année. Il présente des interviews et les grandes transformations intervenues dans nos domaines d'activités.



Le **Rapport Intégré** décrit comment la stratégie, la gouvernance et l'organisation du Groupe créent durablement de la valeur pour Capgemini et ses parties prenantes.



Le **Document de Référence** fournit aux analystes financiers, aux investisseurs institutionnels et aux actionnaires individuels des informations juridiques, économiques, financières et comptables exhaustives.

Exemple 5: L'Oréal

Le Rapport Annuel

L'année 2017 de L'Oréal, celle des Divisions, des marques et des pays au service d'une mission – la Beauté pour Tous – et d'une stratégie – l'Universalisation.

Le Rapport d'Avancement

Rapport d'Avancement 2017 des résultats du programme de développement durable « *Sharing Beauty With All* »⁽¹⁾.

Le Document de Référence

Comprenant le Rapport Intégré et incluant notamment les comptes 2017, le Rapport Financier Annuel, le Rapport de Gestion du Conseil d'Administration et un chapitre consacré à la Responsabilité Sociétale et Environnementale.

Discussion and conclusion (4)

- ◆ Practical difficulty arising from the coexistence of several reports other than the registration document => merge all the reports in a single document devoted to non-financial information?
- ◆ Exploratory study => limitations:
 - Problem of the choice of indicators to publish
 - The problem of multiple reference systems and the choice of one of them (IIRC, GRI...)
 - Detailed study of the contents of the integrated reports / CSR reports in particular using tools of the textual analysis



The end



Thank you for listening

8èmes

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10 décembre 2018



Témoignages

Fabrice Bonnifet

Bouygues

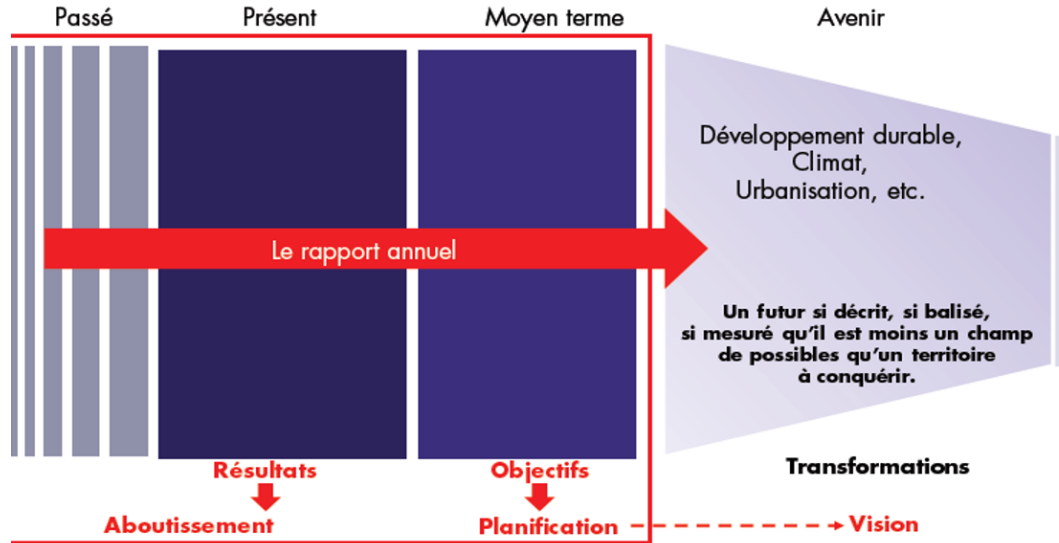
RAPPORT intégré 2017

DONNONS VIE AU PROGRÈS

Fabrice Bonnifet

**Directeur central Développement durable &
QSE Groupe Bouygues**

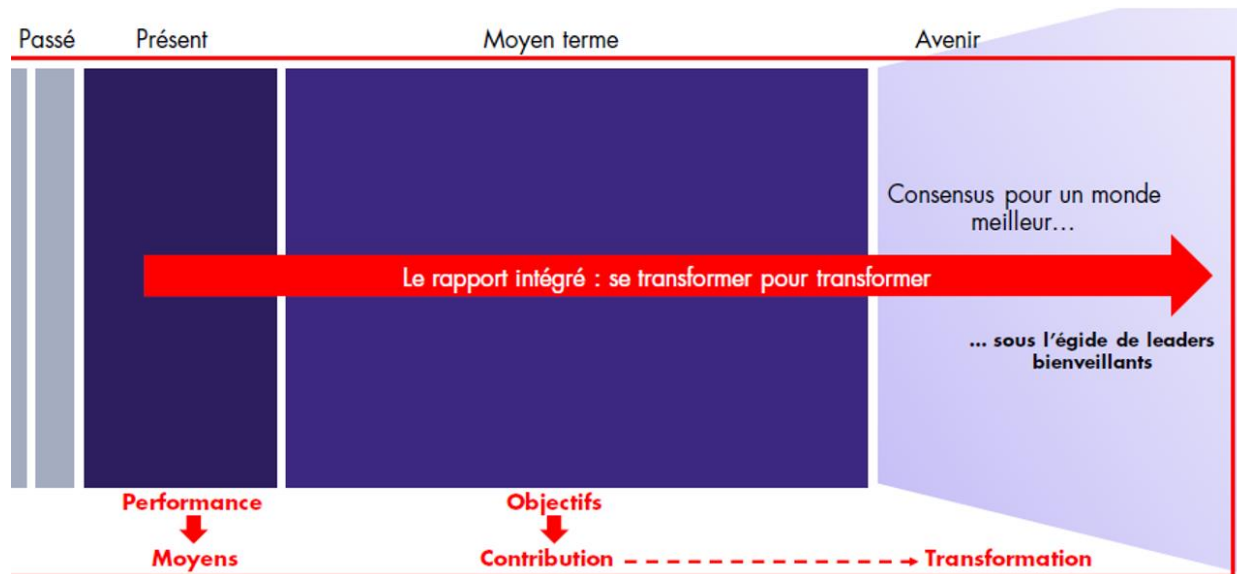
RAPPORT INTÉGRÉ 2017



Une Brève Théorie du Temps (& du RA)

Ce que propose le rapport intégré, c'est de sortir d'une vision étroite du temps du reporting classique...

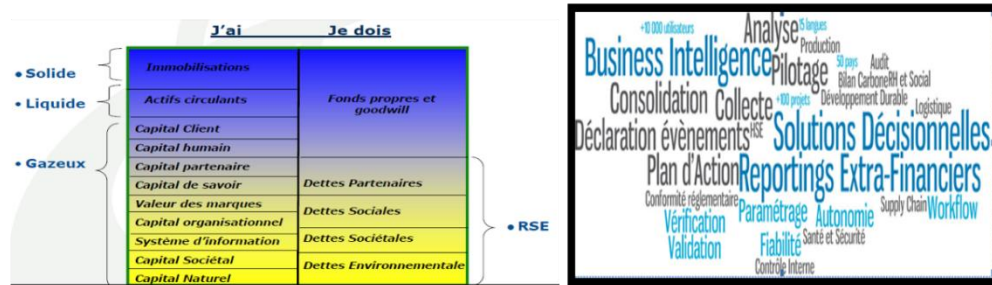
RAPPORT INTÉGRÉ 2017



Une Brève Théorie du Temps (& du RAI) - 2

... pour embrasser le vrai temps stratégique de la marque, se déployant à 5, 10 ou 15 ans.

La valeur d'une entreprise peut être décomposée en 3 parties :



Le bilan fait apparaître le solide et le liquide. Le capital immatériel, c'est le gazeux !

L'action du management c'est créer du gaz !

Pour transformer le gaz en liquide (cash) ...puis en solide



solide + liquide + gazeux = cash flows futurs !

Emmanuelle Cordano

Sanofi

- Sanofi at a glance
- Our CSR publications

Sanofi at a glance

€35 BN
Company sales

€5.5 BN
invested in R&D
In 2017 representing
15.6% of Company sales

More than
100,000
employees
representing
145 nationalities

Present in
100
countries
with 81 manufacturing sites
in 36 countries

Company sales by activity (M€)



Pharmacy

71,6%
25 122



Vaccines

14,6%
5 101

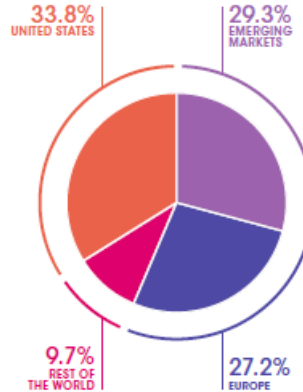


Consumer Healthcare

13,8%
4 832

74
R&D projects
under development,
as of April 2018

COMPANY SALES BY GEOGRAPHICAL AREAS



82

Access to
Healthcare
programs
in 65 countries,
with over 35 million
patients receiving
diagnosis,
vaccination
or treatment and
346,000 healthcare
professionals
trained



-22.6%
water consumption
since 2010

-23.0%
greenhouse
gas emissions
since 2010

All data as of December 2017 unless indicated otherwise.

Source: [Sanofi Integrated Report 2017](#)

Our Material Topics



Boundaries:

Material topics may generate impacts as a result of an organization's own activities or as a result of the organization's business relationships with other entities.

- Sanofi's activities
- Supply chain

Source: Sanofi Integrated Report 2017

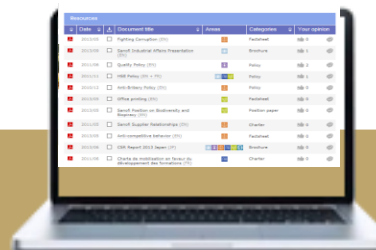
Our 2017 CSR publications



CHAPTER 4 OF 2017
DOCUMENT DE REFERENCE



2017 INTEGRATED
REPORT



DOWNLOAD CENTER ON
SANOFI.COM
~ 60 Factsheets

Evolution of regulatory context

Declaration de Performance Extra Financière (DPEF)



Reporting of Extra-Financial Information

Until 2017

Grenelle II

Law of July 12th 2010 and decree of April 24th 2012

- ▶ French Law
- ▶ Scope: the company's activities
- ▶ Reporting on a list of **43 CSR* topics pre-established and similar for all companies**
- ▶ Reporting not based on risk management
- ▶ Compliance and fairness of information audited

From 2018

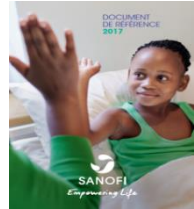
Extra-Financial Performance Declaration (DPEF)

Directive 2014/95/EU of 22 October 2014 as regards disclosure of non-financial information, transposed into French Law by the ordinance of July 19th 2017 (art. L225-102-1) and the decree of August 9th 2017

- ▶ Transposition of an **European Law**
- ▶ Scope enlarged to **business relationships, products and services** of the company ("value chain"), worldwide
- ▶ **Main risks for each of the 4 following categories: environmental, social, human rights, fight against corruption**
- ▶ The Declaration should include:
 - **Business model**
 - **Analysis of main extra-financial risks**
 - **Policies and action plans**
 - **Results and Key Performance Indicators (KPIs)**
- ▶ Compliance and fairness of information audited



An evolving landscape



YE 2017

- **Registration document (DDR)**
 - ▶ Chapter 4: « Grenelle II » extra financial information
 - ▶ Chapter 4 : Vigilance Plan (implementation report not required)

- **Integrated Report**
 - ▶ Risk description and risk mitigation overview

- ~ 60 **Factsheets**



YE 2018

- **Registration document (DDR)**
 - ▶ Chapter 4 : « DPEF » main extra-financial risks and mitigation plans
 - ▶ Chapter 4 : Vigilance Plan (including implementation report)

- **Integrated Report**
 - ▶ Content of the IR2018 → tbd

- ~ 60 **Factsheets**

Sections that will change due to DPEF

Our Material Topics



Boundaries:

Material topics may generate impacts as a result of an organization's own activities or as a result of the organization's business relationships with other entities.

- Sanofi's activities
- Supply chain

Ⓡ Main risk



SDGs : UN Sustainable Development Goals

Source: Sanofi Integrated Report 2017

Our Stakeholders

EMPLOYEES

- Sanofi employees
- Trade unions network

HEALTHCARE PROFESSIONALS

- Physicians
- Pharmacists
- Midwives
- Nurses
- Researchers and public health experts

AUTHORITIES AND PAYERS

- Health authorities
- Governments and regulators
- Public and private insurance companies
- Health technology assessments (HTA) bodies

BUSINESS PARTNERS

- Pharmaceutical industry associations (IFPMA, EFPIA, PhRMA, LEEM)
- Other pharmaceutical companies
- Public and private healthcare centers
- Suppliers including Contract Research Organizations (CROs)

PATIENTS

- Patients
- Patient associations
- Patient communities

INTERNATIONAL AND LOCAL ORGANIZATIONS

- United Nations Organizations (Global Compact, WHO, UNICEF)
- NGOs (DNDi, Bill & Melinda Gates Foundation, etc.)

MEDIA

- Journalists
- CSR experts
- Social media

LOCAL COMMUNITIES

- Neighbors
- Economic players including small and medium enterprises
- Schools/Universities
- Citizens
- Consumers

INVESTORS

- Shareholders
- Institutional investors
- Socially responsible investors
- Rating agencies

Users of financial reports

Users of financial reports are an entity's existing and potential investors, lenders and other creditors. Those users must rely on financial reports for much of the financial information they need.

March 2018

IFRS® Conceptual Framework
Project Summary

Source Sanofi Integrated Report 2017

What are Socially Responsible Investors (SRI) looking for ?

 NORGES BANK INVESTMENT MANAGEMENT	
Category	Examples of topic
Environment	Climate change Deforestation Financing Water management
Social issues	Children's rights Human rights Tax and transparency
Governance	Board composition Corruption risk mitigation CEO remuneration



We evaluate the top 15 pharma companies according to what we assess are the key societal issues of the sector today: impactful innovation, responsible drug pricing, access to- medicine, marketing litigation and manufacturing safety.
















■ Caisse des Dépôts:

The ESG criteria analysed for the equity portfolio include the following subjects:

- governance (structure, pay, gender equality);
- social (workplace accidents, labour relations, opposition from stakeholders, human capital, product liability);
- environmental (carbon footprint, climate change, natural resources, pollution and waste, environmental opportunities).

How do SRI investors score companies ?



Rating Agencies		Sanofi scores		
		2016	2017	2018
General indices				
	DJSI	81	80	
	RobecoSam	Silver Class	Bronze Class	Bronze Class
	MSCI	A	A	
	Sustainalytics	15th	6th	
	Global 100 Corporate Knights	87th	22nd	
	Oekom /ISS	N/A	#1	
	FTSE4Good	4.1/5	4.6/5	
Access to Healthcare				
	ATM Index	6th	N/A	7th
Environment				
	CDP Climate Change	A-	A-	
	CDP Water	B	A	

Frameworks & Standards



WE SUPPORT



GRI: Global Reporting Initiative

Appendix 2 - GRI Content index



GRI 205: Anti-corruption 2016

GRI Code	Description	Materiality	Disclosures	Reference
205-1	Operations assessed for risks related to corruption	Material	IR	p. 77 Risk management
			DDR	Section 4.3.3.1.1. Fighting corruption
			ZDF	Item 3 D. Risk factors – Risks relating to legal and regulatory matters
			Other	Anti-bribery Policy
205-2	Communication and training about anti-corruption policies and procedures	Material	IR	p. 81 Business ethics
			FCT	Ethics & Business Integrity: VI. Training and Educational Programs
			DDR	Section 4.3.3.1.1. Fighting corruption
205-3	Confirmed incidents of corruption and actions taken	Material	ZDF	Item 8 – Information on Legal or Arbitration Proceedings
			FCT	Ethics & Business Integrity: alerts management

© GRI 205-1

Source: Sanofi Integrated Report 2017

- A quickly evolving regulatory landscape
- A diverse base of stakeholders with diverse interests
- A communication on risks and contributions

Angelo Casò OIC

The Italian context, specificities and perspectives regarding extra-financial reporting

Symposium on accounting research

Paris, 10 December 2018



- Legal framework
- Supervisory activity
- Further developments





Non-financial statement

The Italian law (Legislative Decree 254/2016):

- has implemented the Directive 2014/95/EU on non-financial information
- requires **large public-interest entities** to provide:
 - information about environmental, social and employee matters, respect for human rights, anti-corruption matters
 - **additional information** such as information about the use of energy resources, the use of water resources, greenhouse gas emissions
- allows **other companies** to prepare the non-financial statement on a voluntary basis
- has adopted the option of the Directive 2014/95/EU to require that the non-financial information be verified by auditors

The non-financial statement may be included in the Management Report.



Management report

In addition, some non-financial information is already included in management report:

- *non-financial key performance indicators relevant to the particular business,*
- *information relating to environmental matters,*
- *information relating to employee matters.*

The management report is mandatory for all Italian companies (**listed and not listed**) except for small entities.



Authority responsible

According to the Italian law the authority responsible for supervising the non-financial information is Consob (ie the public authority responsible for regulating the Italian financial markets)

The Regulation issued by Consob in January 2018 concerns:

- a. how companies shall file the non-financial statement to Consob
- b. the activities that the auditors shall perform on the non-financial statements
- c. the review activities made by Consob on a sample basis

In this context, Consob supervises the non-financial information but who should be responsible to set standards if needed?





Consob Regulation

The Regulation concerns the activity that the auditors shall perform.

The auditors issue a report that mainly:

- a) indicates the methodologies and principles required under the reporting standard used as reference;
- b) contains a description of the scope of the work carried out and the checking procedures created for the purpose of releasing the certification;
- c) contains a declaration regarding respect for the principles on the independence and for the other ethical principles used for the task of certification;
- d) certifies that there are no elements that give room for believing that the non-financial statement has not been prepared in all the key aspects in conformity with what is required by the Italian law.



This topic is evolving and has also been addressed in the Fitness check on the EU framework for public reporting by companies.

Below some OIC's comments on Fitness check regarding the non-financial information:
"We observe that 2017 is the first year of implementation of the non-financial information requirements, therefore it seems too early for assessing if the non-financial information Directive's disclosure framework is effective. We suggest to allow more time to companies to further develop reporting in this area.

....

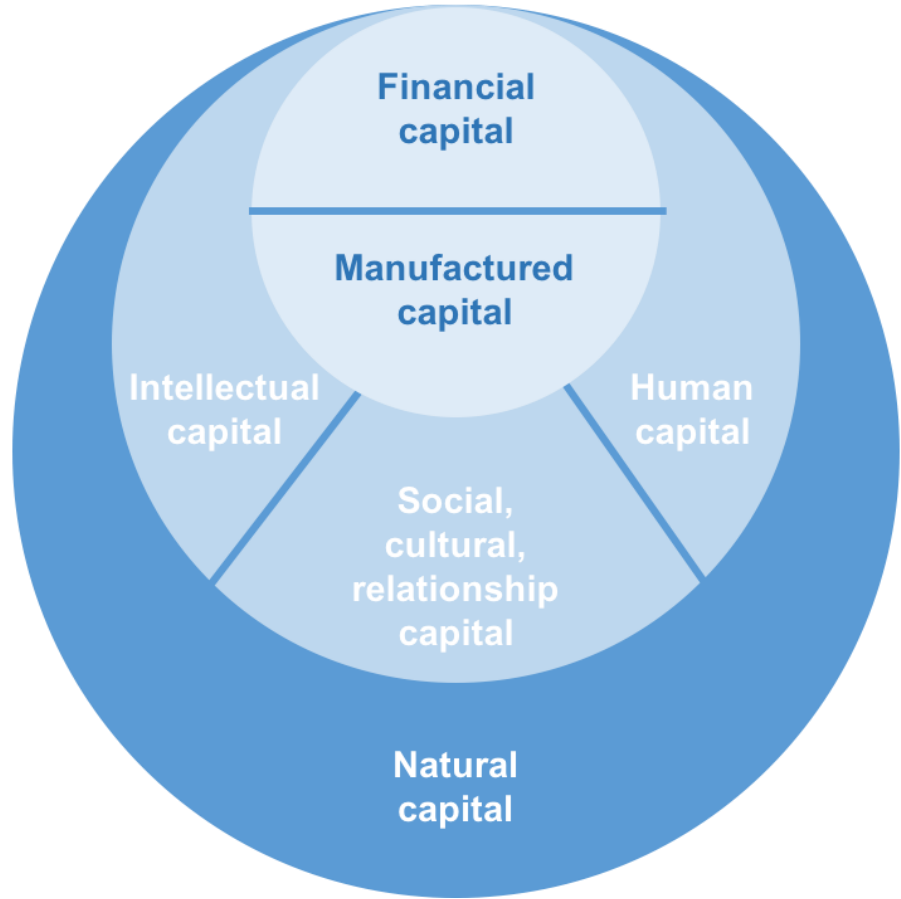
The scope of application of the non-financial information Directive (i.e. limited to large public interest entities) is appropriate. A mandatory widening to SMEs would be too burdensome.

.....

The non-binding Guidelines on Non-Financial Reporting issued by the Commission in 2017 is a useful tool but a greater standardization of the information is necessary for our stakeholders. ... a greater attention is required on social and governance aspects by our stakeholders".

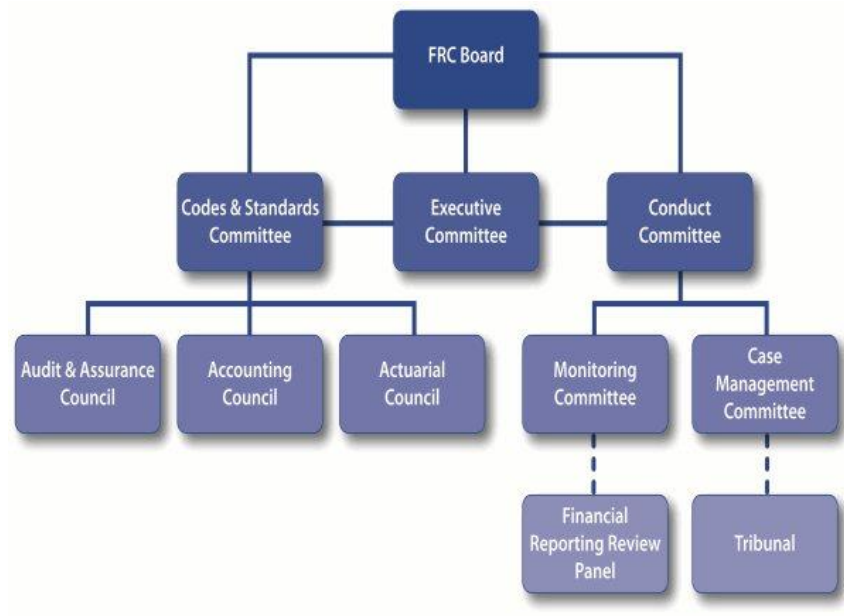
Paul Druckman FRC

Accounting and extra- financial information



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Mission Statement
..to promote
transparency and
integrity in business



Section 172

Directors must include a statement in their strategic report explaining how directors have had regard to the matters set out in section 172.

A director must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other things) to:

- The likely consequences of any decision in the long term.
- The interest of the company's employees.
- The need to foster the company's business relationships with suppliers, customers and others.
- The impact of the company's operations on the community and the environment.
- The desirability of the company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members of the company.





Source: Harvard Business Review

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1 BOARD LEADERSHIP AND COMPANY PURPOSE

Principles

- A. A successful company is led by an effective and entrepreneurial board, whose role is to promote the long-term sustainable success of the company, generating value for shareholders and contributing to wider society.
- B. The board should establish the company's purpose, values and strategy, and satisfy itself that these and its culture are aligned. All directors must act with integrity, lead by example and

THE UK CORPORATE GOVERNANCE CODE

JULY 2018

September 2012

The UK Stewardship Code

June 2018

The Wates Corporate Governance Principles for Large Private Companies

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**...accounting and reporting influence
behaviour...**



Hand



September 2012

The UK Stewardship Code

.....an accounting architecture that underpins...

July 2018

Guidance on the Strategic Report



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Bringing it all together



Non-financial reporting

Business model & strategy

Section 172 reporting

Impact of activity

Long-term Value

Principal decisions

Impact on community and environment

Other stakeholders

Employees, suppliers, customers and others

Tap & Lake



- Democratisation of data
- Multiplication of data
- Transparency of data
- Intelligibility of data

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États

Généraux

DE LA RECHERCHE
COMPTABLE

10 décembre 2018



Témoign

Gary Buesser
FASB

AUTORITÉ DES NORMES COMPTABLES (ANC - FRENCH
ACCOUNTING STANDARDS AUTHORITY)



Accounting and extra-financial information: an overview of the current status and practices

Gary Buesser, CFA
FASB Board Member

December 10, 2018

***The views expressed in this presentation are those of the presenter.
Official positions of the FASB are reached only after extensive due process
and deliberations.***

Financial Accounting Standards Board (FASB)

- Established in 1973. Independent, private-sector organization that develops financial accounting and reporting standards for public and private companies and not-for-profit organizations that follow Generally Accepted Accounting Principles (GAAP)
- The FASB is recognized by the Securities and Exchange Commission (SEC) as the designated accounting standard setter for public companies (Sarbanes-Oxley Act of 2002)
- Mission Statement: Establish and improve financial accounting and reporting standards to provide useful information to investors and other users of financial reports

Securities and Exchange Commission (SEC)

Proxy Statement

- Election of directors
- Compensation of directors and executive officers
- Advisory vote on executive compensation (say-on-pay)
- Shareholder proposals (ordinary business exclusion)

Other

- Risk factors (initial public offering documents and 10-Ks)

SEC Commissioner, Hester M. Peirce

My Beef with Stakeholders*

- *“Thus we arrive at the next problem with using ESG factors: there are no clear standards”*
- *“ESG reporting has been presented as though it were comparable to financial reporting, but it is not. While financial reporting benefits from uniform standards developed over centuries, many ESG factors rely on research that is far from settled”*
- *“I should note there are efforts underway to establish such standards. The problem is that, unlike financial reporting, many of these factors are not susceptible to standards that would be comparable across companies”*
- *“There is a degree of subjectivity in the setting and application of standards. Some ESG standards seem to reflect personal moral beliefs that may not be universally held”*

<https://www.sec.gov/news/speech/speech-peirce-092118>. September 21, 2018.



SEC Chief Accountant, Wes Bricker

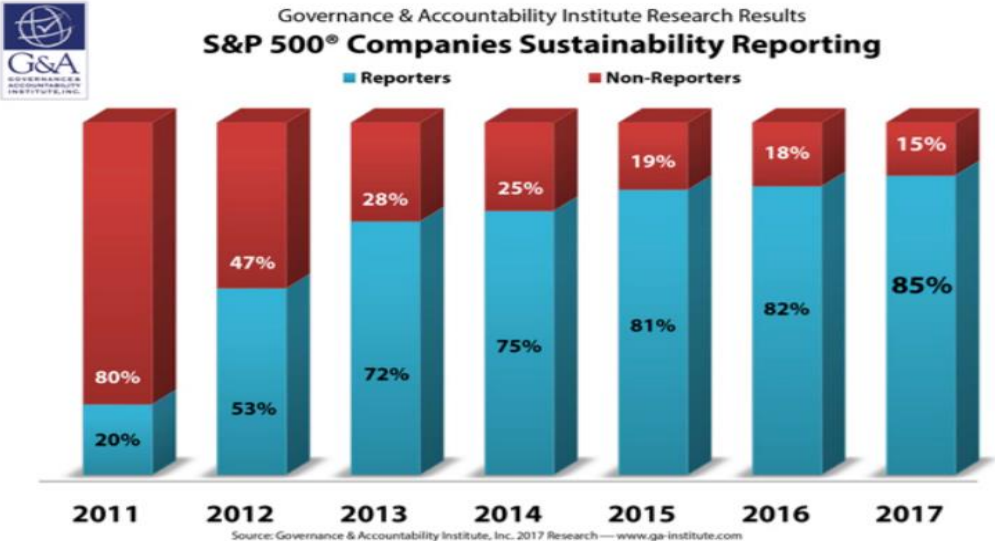
The Intersection of Financial Reporting and Innovation*

- *“General purpose financial reporting. The objective is to provide financial information about the reporting entity that is useful to existing and potential investors, lenders and other creditors in making decisions about providing resources to the entity”*
- *“Special purpose financial reports, by contrast, are prepared using a particular framework to address specific needs of specific users”*
- *“I make the distinction between general and special purpose objectives to emphasize the value of keeping and maintaining general purpose financial reporting free from other objectives”*



<https://www.sec.gov/news/speech/speech-bricker-060618>. June 6, 2018

US Extra-Financial Information Market-Based Solutions



<https://www.ga-institute.com/press-releases/article/flash-report-85-of-sp-500-indexR-companies-publish-sustainability-reports-in-2017.html?type=123>

Internally Developed Intangible “Assets”

History of Accounting Standards

1973

2018

Future

FAF establishes Financial Accounting Standards Board (FASB), recognized as standard-setting authority

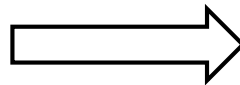
Asset Intensive (Tangible)

Investor Focus

- Income Statement
- Cash Flow Statement
- Balance Sheet

Accountant Focus

- Balance Sheet
- Income Statement
- Cash Flow Statement



Asset Light (Intangible)

Investor Focus

- Income Statement
- Cash Flow Statement
- Balance Sheet

Accountant Focus

- Balance Sheet
- Income Statement
- Cash Flow Statement

Internally Developed Intangible “Assets”

Accounting Standard Setter Considerations

- Does an intangible “asset” meet the definition of an asset? *“Assets are probable future economic benefits obtained or controlled by a particular entity”*
- How would I measure the asset?
- Comparable across companies?
- Is this decision useful information?
- Would asset number be auditable?
- Pass the cost benefit test?

Business Combinations (ASC 805 and IFRS 3)

Intangible Assets

- *“Acquirer shall recognize identifiable intangible assets acquired in a business combination... if it meets either the separability criterion or the contractual-legal criterion” (ASC 805-20-25-10)*
- Measurement at fair value typically using an income approach (DCF)
- Trademarks and Royalty Agreements vs Customer Lists and Employment Contracts
- Companies pro-forma intangible asset amortization out of Non-GAAP earnings and investors disregard the information in their analysis

Internally Developed Intangible “Assets” Workforce

- Does it meet the definition of an asset? Probably not.
- Measurement of asset? Difficult.
- Would workforce asset be comparable across companies? No.
- Is this decision useful information for investors? No.
- Is workforce asset auditable? Questionable.
- Pass the cost benefit test? No.

- **Fabrice Bonnifet** – Bouygues
- **Gary Buesser** - FASB
- **Angelo Casò** – OIC
- **Emmanuelle Cordano** – Sanofi
- **Paul Druckman** – FRC
- **Hervé Stolowy** – HEC Paris

8^{èmes} États Généraux DE LA RECHERCHE COMPTABLE

10 décembre 2018

AVEC LE SOUTIEN DE :



Canal 1 : français

Channel 2: English

Acquis... et défis de l'entreprise responsable : discussion autour du reporting RSE

8^{èmes}

**États
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10 décembre 2018



Les enjeux comptables face aux risques et opportunités climatiques

Samira Demaria
Université Côte d'Azur

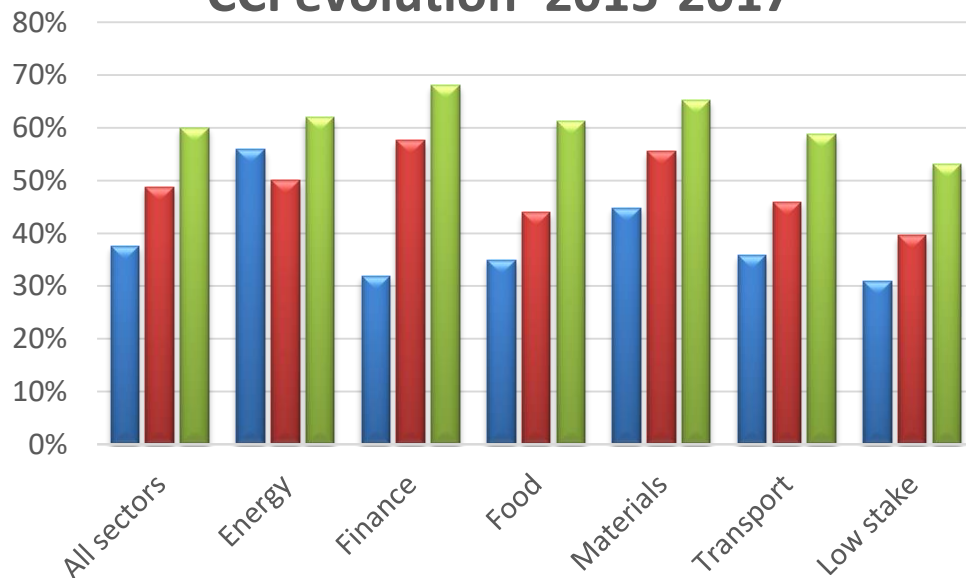
- TCFD objective : to develop recommendations on financial transparency to help companies identify and disclose information for investors on Climate Risks and Opportunities
- The recommendations (July 2017) specify the elements of climate reporting with regards to 4 areas:
 - **Governance**
 - **Strategy**
 - **Risk management**
 - **Metrics and targets**
- Divulgation are expected in annual financial filings for all types of companies

- Legitimacy theory
 - Legitimacy theory places organisations within a socio-political framework
 - Environmental disclosure is a means for managers to establish and maintain a firm's legitimacy
 - Companies can manage their legitimacy by increasing the volume of information, using narrative and positive language, or avoiding alarmist information
- Previous research
 - Cormier et al. 2005; Hummel and Schlick 2016; Depoers and Jérôme 2017; Nègre et al. 2017; Russo-Spena et al. 2018...
 - The majority of studies show that companies disclose information according to their interests and do not strictly follow regulatory requirements

- Sample: CAC 40 index
- Period: 2015-2016-2017
- Sectors: TCFD' classification (Energy, transport, buildings, food, finance and low stake)
- Qualitative database: reference document

- Construction of a Comprehensive Compliance Index (CCI) of TCFD's recommendations (via a content analysis)
- Database indicating whether or not the information required by the TCFD is available in the four areas :
 - Yes:1 / No: 0 / Partial: 0,5
- 38 questions : 8 (governance), 13 (strategy), 7 (risk management), 10 (metrics)
- A global compliance score and compliance score by domain

CCI evolution 2015-2017



- Sectors with high environmental impact have a higher index (62%) than the low impact sector (53%)
- The 5 smallest CAC 40 companies have a higher CCI than the 5 largest in 2015 & 2016

Results / TCFD domains

- In 2017, CAC 40 companies communicated the most in the areas of
 - risk management (71%)
 - metrics (70%)
 - governance (60%),
 - strategy (37%),
- There is an improvement in the environmental disclosure in each area



Results / TCFD domains

Governance

- how the board is committed in CSR committee
- 1 to 6 meetings dedicated to environmental issues
- no remuneration indexed on climate

Risk management

- very diversified specific processes to identify and assess climate risks
- in particular through the use of environmental risk map and materiality matrix

Strategy

- physical and/or transition risks in nature
- little information on the time period over which these risks can arise
- climate opportunities are rarely explicitly mentioned, nor is the quantification of CROs by activity and geographical area

Metrics

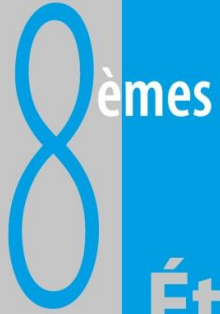
- environmental indicators (energy, water and waste management consumption) and their evolution
- quantify GHG emissions under Scopes 1 and 2, and to a lesser extent under Scope 3

- Limits related to the presentation of environmental information in the report
 - environmental information is scattered across various sections of the report
 - the CSR concept is not used consistently
- Limits related to the TCFD grid
 - Guidelines are too precise and especially redundant

Discussion and conclusion

The recommendations published by the TCFD in 2017 are an undeniable **step forward in making the environmental information published by companies better and more transparent.**

It is now time to improve its large-scale implementation by giving companies operational tools to use it.



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10 décembre 2018



Comptabilité Carbone en Europe

Géraldine Giordano
Université de Montpellier

Sophie Spring
Université de Montpellier

Contexte de l'étude /

	Phase 1 (2005 – 2007)	Phase 2 (2007 – 2012)	Phase 3 (2013 – 2020)
Périmètre géographique	EU 27	EU 27 + Norvège, Islande, Liechtenstein	EU 27 + Norvège, Islande, Liechtenstein, Croatie
Méthode d'allocation	Allocation à titre gratuit	Allocation à titre gratuit	Mise aux enchères (Méthode d'allocation par défaut)
Secteurs d'activité	Centrales électriques, usines de combustion, raffineries de pétrole, fours à coke, usines sidérurgiques, clinker de ciment, verre, chaux vive, briques, céramique, pâte à papier, papier et carton	Idem phase 1 + aviation (2012)	Idem phase 2 + production d'aluminium, d'ammoniac, d'acides nitrique, adipique et glyoxylique, captage du CO ₂
Plafond	2,058 millions de t de CO ₂	1,859 millions de t de CO ₂	2,084 t de CO ₂ en 2013, avec une diminution programmée de 38 millions de t de CO ₂ par an

- **Comptabilité carbone:**
 - Comment comptabiliser dans les états financiers les quotas échangés sur le marché européen (**quota = nouvel objet comptable**) ?
 - 1^{ère} tentative de spécification des traitements comptables : interprétation de l'IASB (IFRIC 3) formulée en 2004
 - Refusée par l'EFRAG et donc abandonnée en 2005
 - Aucune autre recommandation de portée internationale
 - Donc aucune préconisation comptable au titre des états financiers consolidés
 - Propositions de quelques normes comptables locales
 - Parfois éloignées de la précédente interprétation internationale
 - **Qui ne sont pas parvenues à susciter un consensus jusqu'à ce jour**

Echantillon

- Identification des **installations** soumises au SEQE/UE
- Regroupement de ces installations au niveau des **entreprises** (càd des producteurs de la comptabilité)
- Parmi ces entreprises, sélection des **grandes émettrices**
 - 74,37% des émissions vérifiées (2016)
 - 69,21% des émissions vérifiées (2011)
- Regroupement de ces entreprises à l'échelle de **groupes**
 - 122 (2016) et 107 (2011)

Etude de contenu des états financiers Identification de la méthode comptable

- Quotas alloués :
 - Reconnaissance comptable
 - Evaluation à l'entrée
- Quotas acquis :
 - Reconnaissance comptable
- Passif/Dette :
 - Evaluation

Méthodologie / Grille d'analyse

Méthode comptable	Caractéristiques de la méthode
Méthode brute	Incorporel comptabilisé à hauteur des quotas détenus, alloués gratuitement (V. Marché) ou acquis (C. Acquisition) ET Passif comptabilisé à hauteur du montant total des émissions
Méthode nette	Quota assimilé à une marchandise Donc, à la clôture : Stock comptabilisé si les quotas détenus excèdent les émissions (C. Production) OU Passif comptabilisé à hauteur du déficit de quotas nécessaires pour couvrir les émissions
Méthode hybride	Autres méthodes : le traitement comptable des actifs et passifs n'est pas conforme aux 2 méthodes précédentes
Absence d'information	Informations insuffisantes pour pouvoir caractériser la méthode comptable

Résultats / Référentiels locaux

Pays	Référence	Date	Actif	Méthode
<i>IASB</i>	<i>IFRIC 3</i>	<i>2004</i>	<i>Incorporel</i>	<i>Brute</i>
Espagne	Real Decreto 602/2016	2016	Stock	Brute
France	ANC N°2012-03	2012	Stock	Nette
Italie	OIC 8	2013	NA	Nette
Portugal	FRAS n° 26	2010	Incorporel	Hybride
Pologne	Loi comptable Art. 28§2	2015	Incorporel	Hybride

- Degré de conformité des émetteurs à leurs référentiels locaux ?
 - *Les plus conformes → pays avec « méthode nette » (France & Italie)*
- Informations sur les méthodes comptables des grands émetteurs :

Méthode	2016		2011	
Méthode Brute	7	5.74%	9	8.41%
Méthode Nette	45	36.89%	43	40.19%
Méthode Hybride	2	1.64%	3	2.80%
Pas d'information suffisante	68	55.74%	52	48.60%
Total	122	100.00%	107	100.00%

Résultats / Comparaison France-Allemagne

Traitements comptables des quotas CO ₂	France		Allemagne	
	2016	2011	2016	2011
% d'émissions vérifiées de EU ETS	5.74%	7.09%	16.99%	15.32%
Quotas achetés – comptabilisation initiale				
Incorporels	25.00%	37.50%	41.18%	30.77%
Stocks	62.50%	37.50%	5.88%	23.08%
Pas d'information	12.50%	25.00%	47.06%	38.46%
Evaluation de la dette				
Totale, pour les quotas à restituer (plusieurs valorisations)	12.50%	12.50%	41.18%	38.46%
Uniquement si insuffisance, (plusieurs valorisations)	50%	62.50%	5.88%	15,38%
Pas d'information	25.00%	25.00%	52.94%	46.15%

PS : Données partielles sélectionnées

- *Dans l'échantillon étudié : Sur 10 firmes soumises aux quotas*
 - > 5 ne donnent aucune information sur la méthode comptable appliquée
 - > 3 appliquent la « méthode nette » (compensation actif et passif)
 - Phase 3 ne s'accompagne pas d'un changement de pratiques
- En synthèse :
 - Une information comptable carbone très faible, en légère diminution entre 2011 et 2016 → ne joue pas le rôle de « signal » vis-à-vis des tiers, s'apparentant à un « silence comptable »
 - Absence de consensus sur le traitement comptable applicable → Informations très hétérogènes au sujet d'un même bien (quota) disposant d'un marché
 - Paradoxe dans un contexte Européen où les pays sont soumis à une même directive qui promeut l'information liée aux enjeux sur le climat

- **Alain Deckers** - Commission européenne
- **Samira Demaria** - Université Côte d'Azur
- **Bertrand Janus** - Total
- **François Jégard** – CSOEC
- **Alban Préaubert** – SFAF
- **Sophie Spring** - Université de Montpellier



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Témoign

Linda Mezon

AcSB

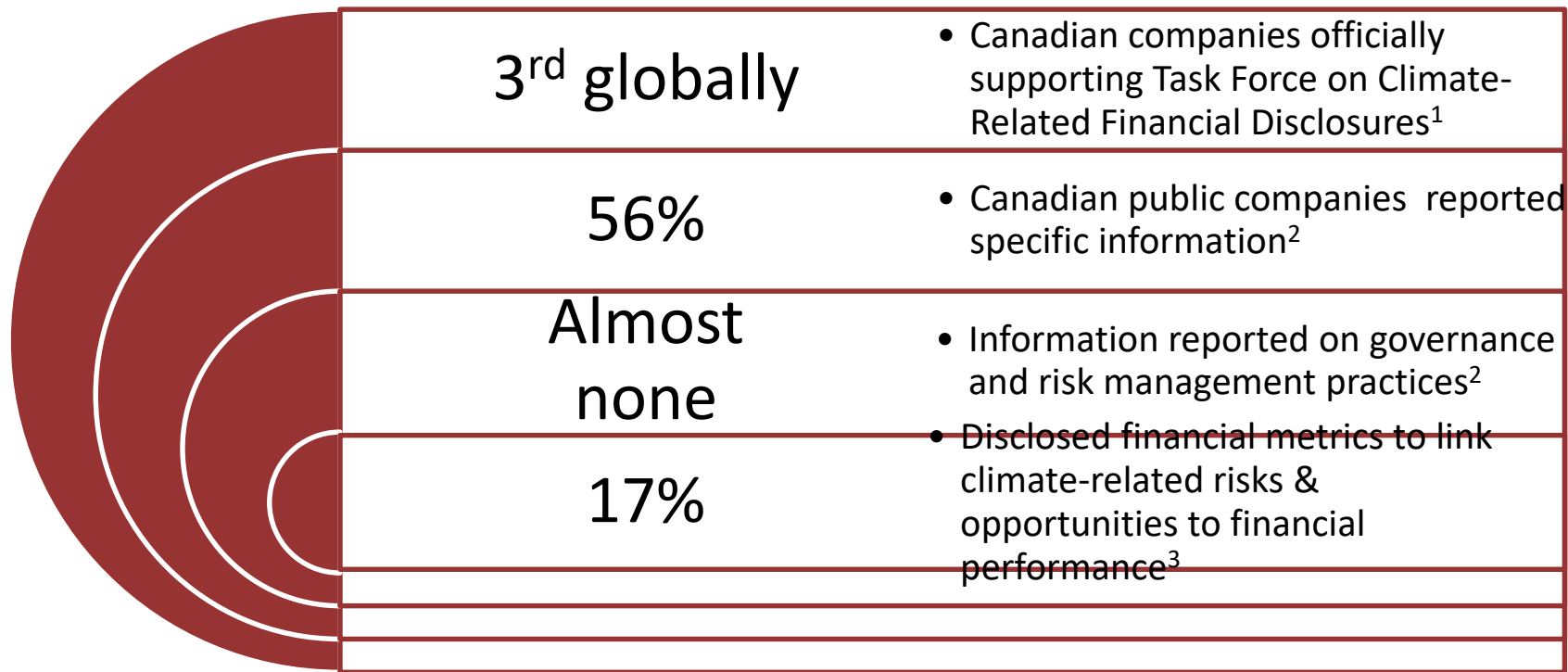
Benefits... and challenges of a sustainable company: A standard setter's view

Linda Mezon, Chair

FCPA, FCA, CPA (MI)

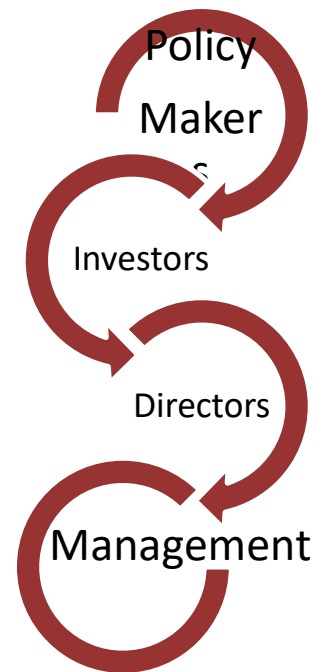
The views expressed in this presentation are those of the presenter, not necessarily those of the AcSB.

Climate disclosures under the spotlight



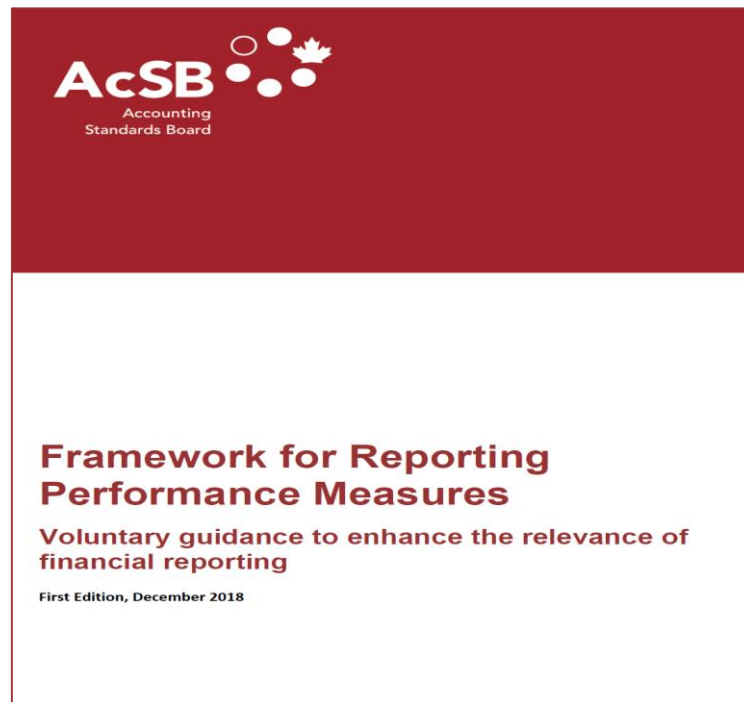
We each have a role to play

- To support business & investment
- Provide useful information
 - Relevant
 - Quality
 - Transparent
- Motivate change



Best practice guidance

- Concepts & principles
- Steps to select, develop and report high-quality performance measures
- Includes operational measures
 - Savings in energy usage
 - Reductions in GHG emissions



For more information, visit [Reporting Performance Measures](#)
Sign up for Email updates – www.frascanada.ca/subscribe

Contact

Linda Mezon, Chair, lmezon@acsbcanada.ca

Rebecca Villmann, Director, rvillmann@frascanada.ca

Sources

1. Government of Canada, *Interim Report of the Expert Panel on Sustainable Finance*, October 2018
2. Canadian Securities Administrators, *CSA Staff Notice 51-354 Report on Climate change-related Disclosure Project*, April 2018
3. CPA Canada, *State of Play: Study of Climate-related Disclosures by Canadian Public Companies*, 2017
4. CPA Canada, *Climate Change Briefing: Questions for Directors to Ask*, 2nd Edition, 2017
5. Berthelot, Sylvie, Robert, Anne-Marie, *Climate change disclosures: An examination of Canadian oil and gas firms*, Issues in Social and Environmental Accounting, December 2011
6. Talbot, David and Boiral, Olivier, *Can we trust corporates GHG inventories? An investigation among Canada's large final emitters*, September 2013

- **Alain Deckers** - Commission européenne
- **Samira Demaria** - Université Côte d'Azur
- **Bertrand Janus** - Total
- **François Jégard** – CSOEC
- **Linda Mezon** - AcSB
- **Alban Préaubert** – SFAF
- **Sophie Spring** - Université de Montpellier

8^{èmes} États Généraux DE LA RECHERCHE COMPTABLE

10 décembre 2018

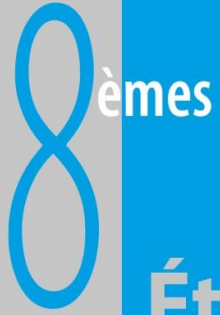
AVEC LE SOUTIEN DE :



Canal 1 : français

Channel 2: English

Perspectives ... et enjeux de l'entreprise globalement performante : la prise en compte de l'immatériel



**États
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10 décembre 2018

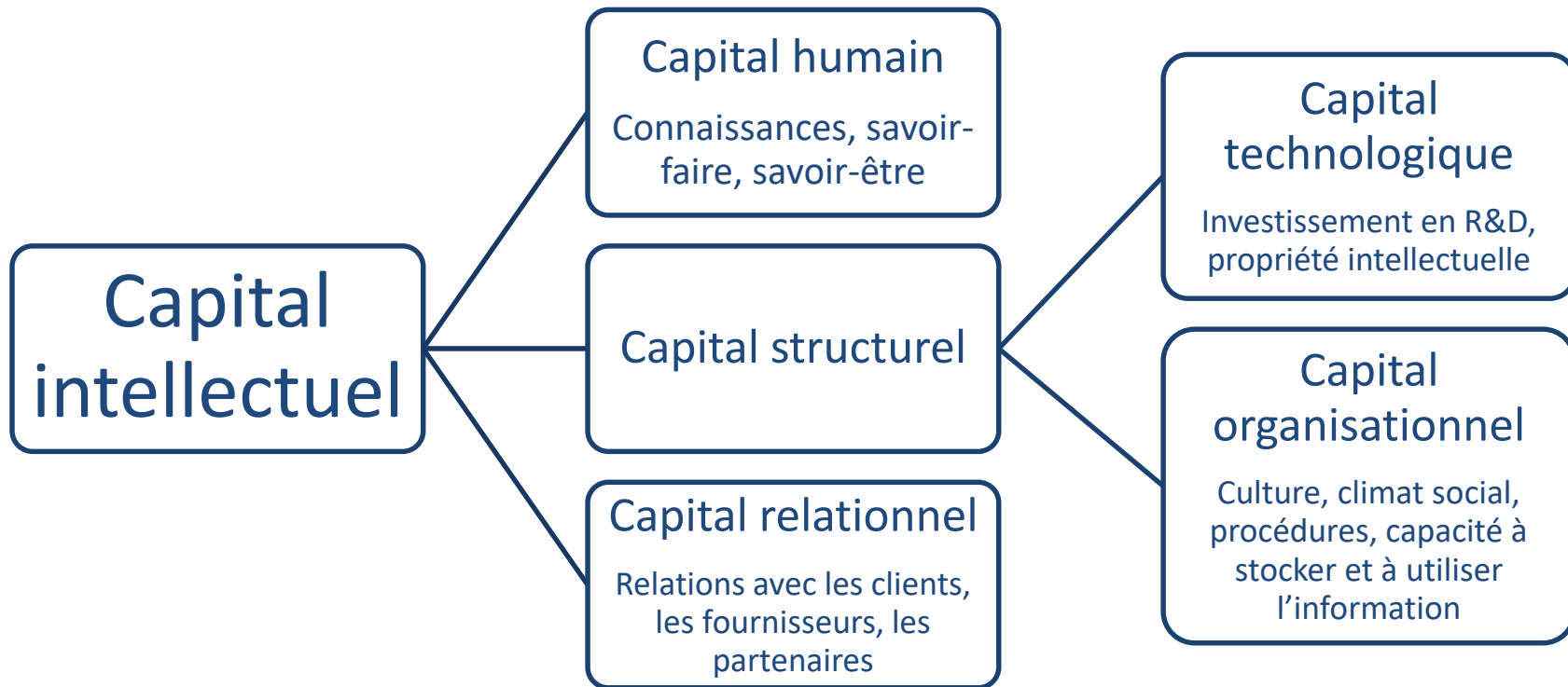


Revisiter le capital intellectuel à l'ère post-industrielle

Elisabeth Albertini
IAE Paris 1

Stéphane Lefrancq
CNAM

Typologie du capital immatériel



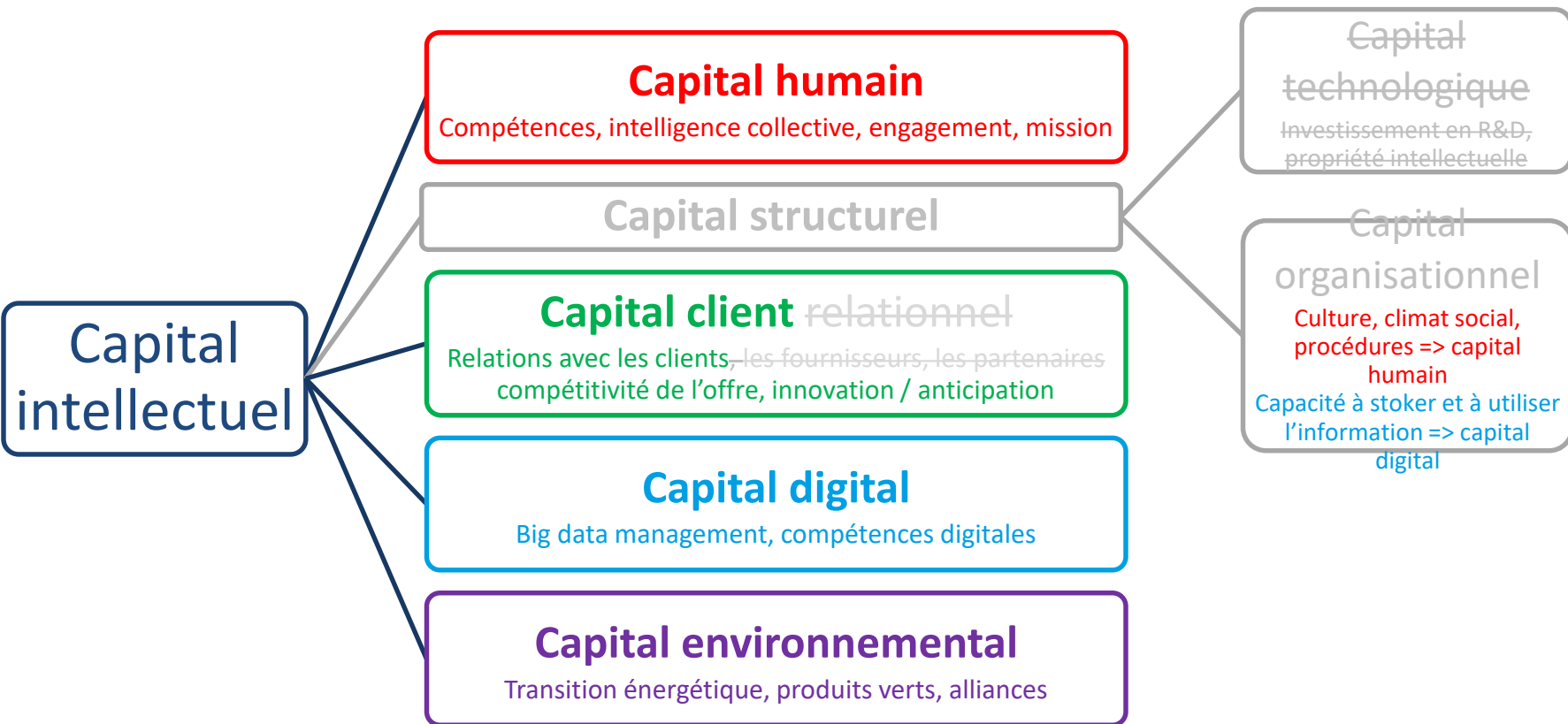
Echantillon

- Entreprises du **S&P Europe 350** à la clôture 2016
 - Implantation dans l'EEE
 - Publication en normes IFRS
 - Hors secteur financier
- Corpus **241 lettres des dirigeants**

Analyse lexicale

- Utilisation d'un logiciel lexicométrique : **IraMuTeq**
- Lemmatisation et analyse des co-occurrences
- Deux analyses successives
 - (1) Corpus total : 380 000 occurrences, 15 400 formes
 - (2) Sous-corpus « immatériel » : 157 400 occurrences, 8 100 formes

Une typologie revisitée



- **Elisabeth Albertini** - IAE Paris 1
- **Corinne Baudoin** - SFAF
- **Florian Bercault** – Estiméo
- **Françoise Flores** - IASB
- **Jérôme Julia** - Observatoire de l'Immatériel
- **Stéphane Lefrancq** - CNAM

8^{èmes}

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COMPTABLE

10 décembre 2018



Témoign

Yasunobu Kawanishi
ASBJ

Accounting for Intangibles

- 10 December 2018
- **Yasunobu Kawanishi**
 - Board Member
- Accounting Standards Board of Japan

The views expressed in this presentation are those of the presenter and are not necessarily the official views of the Accounting Standards Board of Japan.

What is the Problem?

The Price-to-Book Ratios (PBRs) of high performing entities:

(as of 30 September 2018)

Company	Market Cap. (millions of USDs)	Net Assets (millions of USDs)	PBR
Google	711,767	169,840	4.2
Apple	881,979	107,147	8.2
Facebook	378,601	80,342	4.7
Amazon	739,462	39,125	28.9

 Some argue that financial reporting is becoming increasingly irrelevant because intangible assets, which are the main drivers to create value of high performing entities, are not recognised in the financial statements

Is it Really a Problem?



The IASB's Conceptual Framework states:

1.7 General purpose financial reports are not designed to show the value of a reporting entity; but they provide information to help existing and potential investors, lenders and other creditors to estimate the value of the reporting entity.



Is the IASB's view no longer valid?

■ We do not think so...

Our Views on Why Entities Should **Not** Disclose Their Value

- ❖ **If the balance sheet were to show the value of the entity, little additional information would be provided by the income statement**
 - ▶ **Because most assets would be measured at current value, the income statement would merely show the changes in the values of these assets**
 - ▶ **We question how users can form their own views on the values of entities based on this type of information**
- ❖ **No one can predict what will happen in the future, and thus entities are not necessarily in the best position to determine their values**
- ❖ **Entities are likely to become biased, because they are unlikely to disclose information that implies that their values are lower than the prices assessed by the market**

Classification of Assets and Liabilities

- ❖ We think it would be useful to classify assets and liabilities into the following categories so that users of financial statements can estimate the value of the entity:
 - ▶ Assets and liabilities related to **business investments**
 - Some refer to these assets and liabilities as “**in-use**” assets and liabilities
 - ▶ Assets and liabilities related to **financial investments**
 - Some refer to these assets and liabilities as “**in-exchange**” assets and liabilities

Business Investments

- Assets and liabilities related to **business investments** are used in combination with other assets and liabilities to create more value than the sum of the value of individual assets and liabilities

Value of Assets
and Liabilities
Related to
Business
Investments
when Used in
Combination

Sum of the Value of Individually
Recognised Assets and Liabilities
Related to Business Investments

Value of Identifiable Internally Generated
Intangibles
(currently unrecognised)
(eg research costs)

Value of Unidentifiable Internally Generated
Intangibles
(ie internally generated goodwill)

Recognition of Internally Generated Intangible Assets

- ❖ We do not think internally generated intangibles should be recognised for **unidentifiable internally generated intangibles**
 - ▶ The value of these intangibles would depend on the combination of assets and liabilities used
 - ▶ Measuring the value of these intangibles is similar to measuring the value of the entity
 - No one can predict what will happen in the future, and thus entities are not necessarily in the best position to determine these values

- ❖ We also do not think internally generated intangible assets should be recognised for **identifiable internally generated intangibles**, although this may be debatable
 - ▶ By definition, they would be identifiable, but the actual measurement is likely to be difficult and may not provide useful information

Measurement for Business Investments

- ❖ We think assets and liabilities related to business investments should be measured based on their **historical costs**
- ▶ We do not think changes in the current values of these assets and liabilities provide useful information

Financial Investments

- ❖ Assets and liabilities related to **financial investments** can be used in combination with other assets and liabilities but are unlikely to create more value than the sum of the value of individual assets and liabilities
 - ▶ **Internally generated intangibles** generally would not arise from these assets and liabilities
 - ▶ Assets and liabilities related to financial investments should be measured based on their **current values**

Value of Assets and Liabilities
Related to Financial
Investments when Used in
Combination

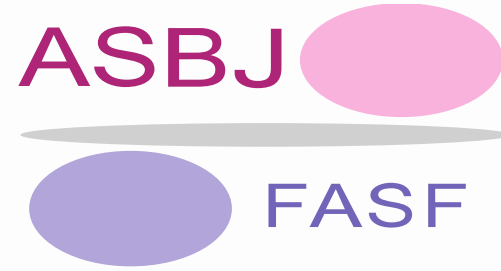
Sum of the Value of Individually
Recognised Assets and
Liabilities
Related to Financial
Investments

❖ Our classification is **not** based on the form of the assets and liabilities

❖ Some examples:

	Business Investments	Financial Investments
Financial assets and liabilities	<ul style="list-style-type: none">● Accounts receivable● Equity method investments● Accounts payable	<ul style="list-style-type: none">● Equity instruments purchased for speculation
Non-financial assets and liabilities	<ul style="list-style-type: none">● Property, plant and equipment● Gold used for production	<ul style="list-style-type: none">● Gold purchased for speculation

- ❖ We think accounting standard-setters should not try to recognise internally generated intangibles on the balance sheet
- ❖ We think **enhancing related disclosures** is more promising
 - ▶ The proposed classification in the paper (human capital, digital capital, customer capital and environmental capital) may be useful
 - ▶ Disclosures for internally generated intangibles that are **identifiable** and **unidentifiable** should be discussed separately
 - ▶ Whether the information should be presented in the **notes to financial statements** or in the **Management Commentary** (outside financial statements) is debatable



- **Elisabeth Albertini** - IAE Paris 1
- **Corinne Baudoin** - SFAF
- **Florian Bercault** – Estiméo
- **Françoise Flores** - IASB
- **Jérôme Julia** - Observatoire de l'Immatériel
- **Yasunobu Kawanishi** - ASBJ
- **Stéphane Lefrancq** - CNAM

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Canal 1 : français

Channel 2: English

Vers une synthèse du reporting de l'entreprise ? Pour qui, quels objectifs, par qui...



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Integrated reporting and the Capital's diffusion

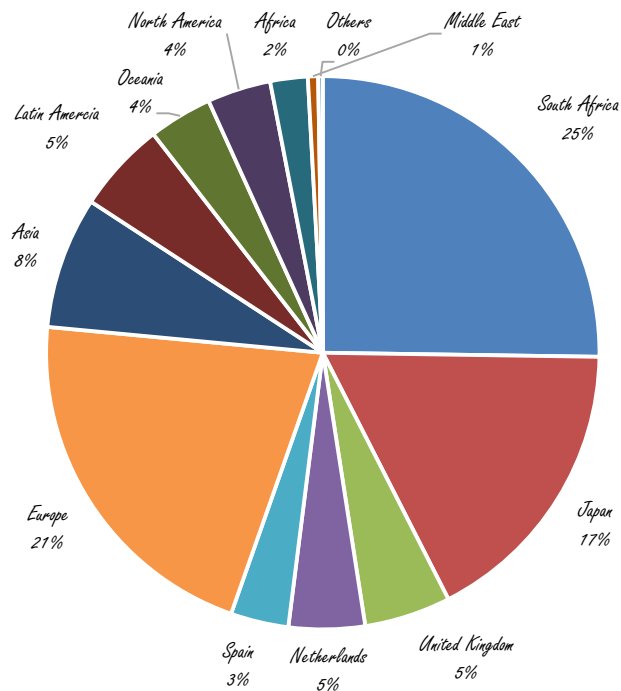
Delphine Gibassier
Université de Birmingham

- Création d'une base de données d'environ **1500** rapports intégrés **unique au monde** à partir de 6 sources différentes (GRI, IIRC, Corporate Register)

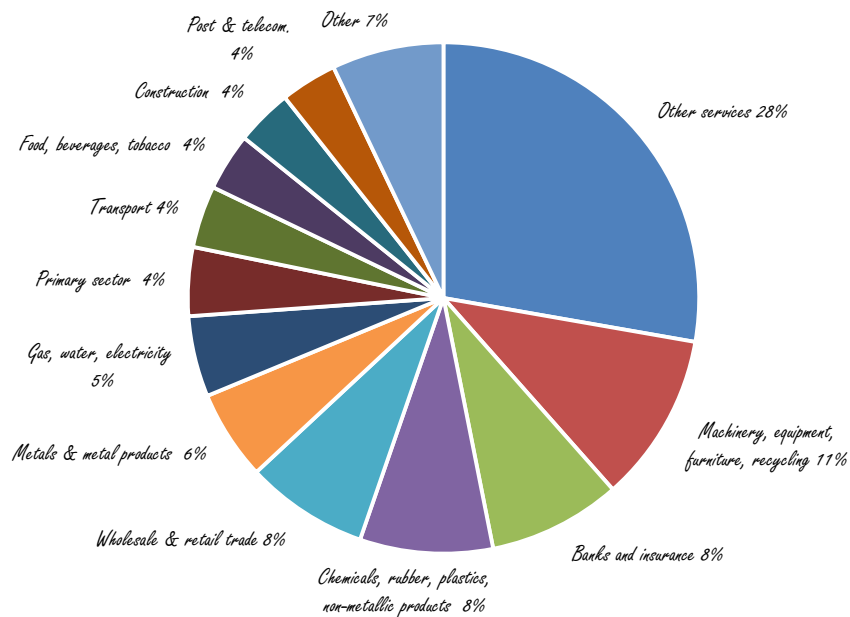
- Codage des rapports manuellement sur 20 critères
- Analyse de la diffusion (géographique, par secteur) et de l'adoption du cadre de l'IIRC (profondeur d'adoption)

- Codage des rapports Européens manuellement sur plus de 400 critères
- Analyse de contenu de 4 capitaux (intellectuel, social, naturel et intellectuel)

La diffusion du reporting intégré



La diffusion du reporting intégré

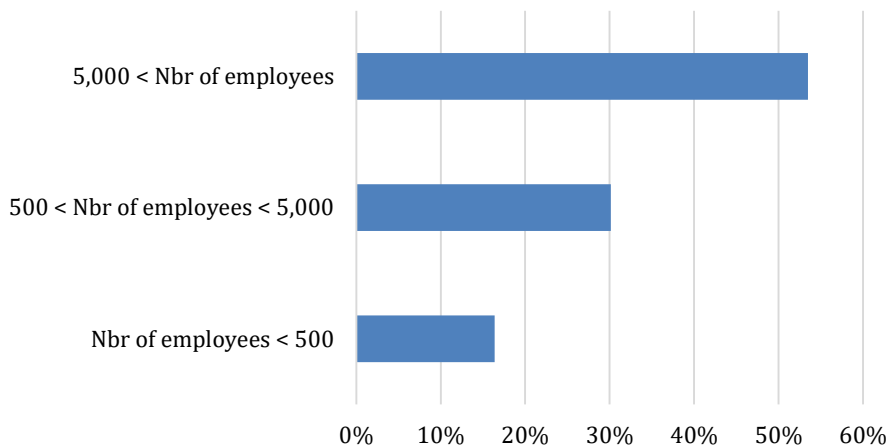


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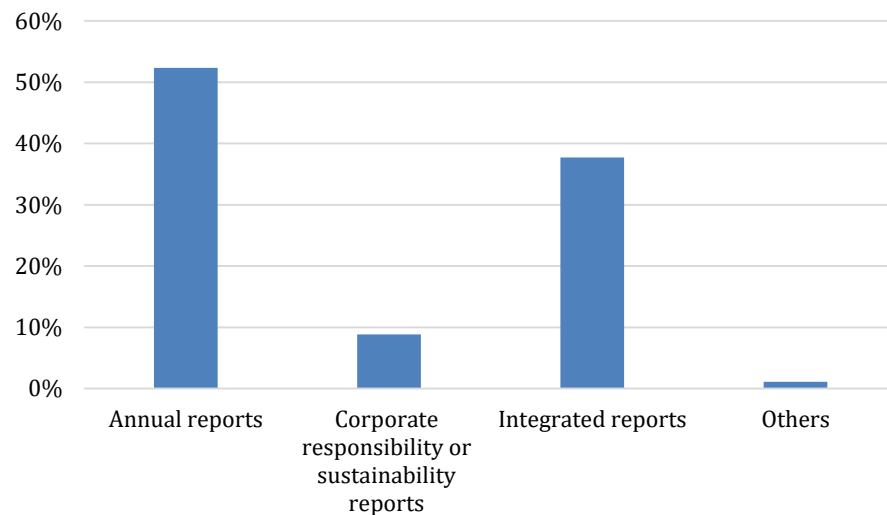
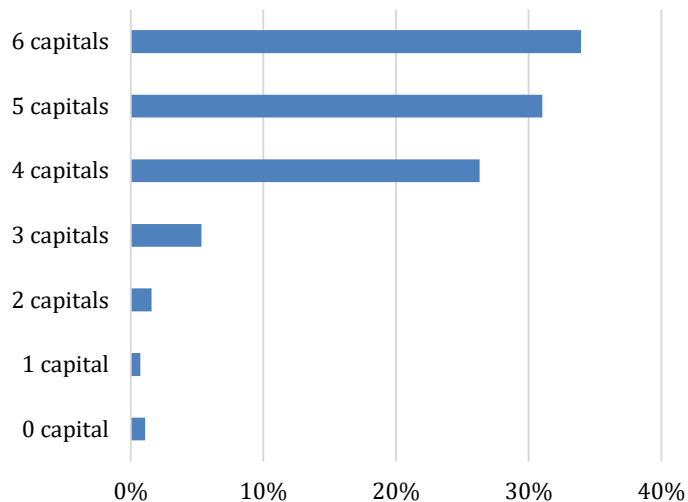
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La diffusion du reporting intégré



Status	Percentage
Not listed or delisted	34%
Listed	66%
Total	100

La diffusion du reporting intégré



La diffusion du framework de l'IIRC

No mention of the IIRC Framework	Mention of the IIRC Framework
63%	37%

Joint use of GRI and integrated reporting	Not included in the GRI database	46%
	Included in the GRI database	54%
	Total	100%

La profondeur d'adoption du framework

		IIRC Framework	
		Group 1	Group 2
		No mention of the IIRC Framework	Mention of the IIRC Framework
Depth of IR adoption	Level 0	53%	10%
	Level 1	25%	23%
	Level 2	0%	1%
	Level 3	0%	0%
	Level 4	21%	66%

La qualité du reporting des capitaux non-financiers en Europe

Dimension of quality	Items	%
Assurance	Assurance of non-financial elements	41%
	Scope of assurance	38%
	Level of assurance	34%
Comparability	Address if restatement of information	10%
	Address changes in reporting	9%
Standards	GRI	63%
	UN Global Compact	30%
	UN Sustainable Development Goals	30%
	IIRC	26%
	Other standards	19%
	GHG Protocol	10%

Items - Natural capital governance	Percentage
Highest governance body's role in environmental reporting	44%
Natural capital management structure (including link with bonuses)	37%
The company reports that they have a specific officer with responsibility for the environment	25%

Le reporting du capital humain en Europe

Items related to gender issues	%	Items related to organizational justice and equity	%
Number of women in the workforce	81%	Diversity of governance bodies and employees	51%
Women in senior roles (directors)	47%	Equity issues: race, gender and religion	30%
Number of female managers	41%	Equity issues: disable issues	27%
Women on board	40%	Incidents of discrimination and corrective actions taken	15%
Parental leave	19%	Leaders from emerging markets	2%
Ratio of basic salary and remuneration of women to men	10%		

Le reporting du capital social en Europe

Items related to relationships with stakeholders	Percentage
NGOs and academia	48%
Legislators, regulators and policy makers	45%
Customers	42%
Shareholders	38%
Employees	38%
Competitors	29%
Lenders	7%
Distribution channels	4%

Items related to human rights	Percentage
Human rights policy	28%
Employee training on human rights policies or procedures	7%
Operations that have been subject to human rights reviews or impact assessments	6%

Le reporting du capital intellectuel en

Europe

Intellectual capital items	%
ISO 9000 and similar quality systems	41%
Brands	40%
Corporate culture	26%
Company reputation	24%
Organizational structure	20%
Patents	14%
Corporate image	8%
Management philosophy	7%
Trademarks	3%
Computer software	3%
Licensing agreements	2%
Franchises	1%

Items on Research and Development (R&D)	%
R&D expenditure	28%
R&D strategic laboratories	16%
Number of R&D projects	15%
R&D staff	13%
R&D related management systems, policies, and standards	4%

Le reporting du capital naturel en Europe

Items on natural capital strategy	%
Natural Capital strategy and action plans	40%
Environmental-related management systems, policies, and standards	38%
Climate Change strategy and action plans	21%
Natural capital long term targets (+5 years)	7%
Natural capital mid term targets (3-5 years)	15%
Natural Capital short term targets (1 year)	9%

Category	Items on supply chain	%
	New suppliers that were screened using natural capital related criteria	44%
Natural Capital	Company has a natural capital policy and purchase material and goods	21%
	Measure supplier environmental performance	12%

Les éléments « pré-financiers »

Type of capital	Items on business risks and opportunities		%
Human capital	Human capital - Business risks and opportunities		37%
Intellectual capital	Intellectual capital - Business risks and opportunities		47%
Social capital	Social capital - Business risks and opportunities		47%
Natural capital	Natural capital	Business opportunities (linked to natural capital)	11%
		Business risks (linked to natural capital)	29%
	Carbon	Business opportunities (linked to carbon)	9%
		Business risks (linked to carbon)	18%

Items on costs and funding		%
Natural Capital	Reporting of environmental investments by type	34%
	Amount spent (R&D, technologies, innovations) to enhance natural capital	24%
Carbon	Reporting of investments related specifically to carbon	11%
	Amount spent (R&D, technologies, innovations) to enhance carbon	4%

Carbon offsets are present in 13% of reports

Quels outils sont utilisés?

La calculabilité des capitaux non-financiers

Items on calculability	%
Natural capital accounting framework (standards, methods, assumptions)	56%
Carbon accounting framework (standards, methods, assumptions)	41%
Internal audits specific to natural capital	11%
Life cycle assessment performed	6%

Conclusions

- Favorable regulation or investiture in integrated reporting has sparked adoption (in Europe), to the notable exception of Germany (5%)
- **Increase in quality of the reporting** (more than 40% assurance)
- Disclosure of governance is still lagging (only 25% disclose if they have a sustainability officer).
- **Non-financial targets are often absent** (only 31% report target for natural capital)
- Recognizing the capitals: There is a disconnect between recognizing their importance (in the value creation model) and being able to account for it to their stakeholders.
- Integrating new topics: **the reporting is slow to evolved**. Notably there is growing demand the report on supply chains and topics such as deforestation, human exploitation (modern slavery), sustainable agriculture, poverty, human rights, indigenous rights and local communities.

Our results demonstrate **the depth of non-financial reporting**, with a high level of pre-financialization and calculability framework reporting, **versus the breadth of reporting** which is weak (difficulty to integrate new topics in social capital and biodiversity for example).

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Réactions

Philippe Peuch-Lestrade

IIRC

- **Jean Bouquot** - CNCC
- **Elisabeth Gambert** – Afep
- **Delphine Gibassier** - Université de Birmingham
- **Anne-Catherine Husson-Traore** – Novethic
- **Lionel Khalil** - Mars Catalyst

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Témoign

Andreas Barckow
DRSC

- **Andreas Barckow** - DRSC
- **Jean Bouquot** - CNCC
- **Elisabeth Gambert** – Afep
- **Delphine Gibassier** - Université de Birmingham
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Table ronde finale : l'intérêt public européen et le reporting des entreprises



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L'intérêt public européen

Christopher Hossfeld
ESCP Europe

The research question

- Art. 3 of the IAS-Regulation:
IFRS can only be adopted if they are conducive to the European public interest (EPI)
- What is the definition of the EPI?

The European approach

- Is there a definition on the European level?
 - In accounting or other financial regulation?
 - In general?
- Answer:
 - No (2016 Commission non-paper lists components)
 - EU uses different concepts with moving boundaries

The country approach

- Are there common definitions or definition criteria of EPI on the country level (6 countries)?
 - In accounting or other financial regulation?
 - In general?
- Answer:
No: countries use different (undefined) concepts

The systemic and teleological

- The origin of the EPI criterion in the Regulation
 - EPI added at a later stage in the development of the Regulation
 - Dissenting opinions reg. its meaning from the beginning
 - Not defining EPI allowed satisfaction of different parties
 - EPI served to legitimize IFRS adoption ex post
- EPI has to be in line with Regulation objectives (transparency, effective functioning of cap. markets)

The practical approach

How was the EPI criterion applied (by EFRAG)?

- 1st phase (2001-2006): EPI not specifically analyzed; (unofficial) cost-benefit analysis
- 2nd phase (2006-2014): EPI not specifically analyzed but now mentioned; impact assessment added; SARG
- 3rd phase (2014-2018?): extension of EFRAG's missions; EPI specifically analyzed; EPI concept enlarged beyond original objectives (sustainability): politicization

Analysis of the politicization of EPI

- Until the financial crisis:
implied alignment between EPI and IASB PI
- With/after the financial crisis:
standard setting sovereignty becomes more important and alignment not automatic anymore
- Today: Commission wants to include sustainability objectives

Conclusion

- EPI is not defined
- EPI is a political tool
- It is not necessary - and even politically counterproductive - to define it
- Including sustainability in the IAS-Regulation EPI may be politically justified, but is economically not appropriate

- **Jean-Paul Gauzès** - Président de l'EFRAG
- **Olivier Guersent** - Commission européenne
- **Christopher Hossfeld** - ESCP Europe
- **Sue Lloyd** - Vice-Présidente de l'IASB
- **Robert Ophèle** - Président de l'AMF

- **Jean-Paul Gauzès** - Président de l'EFRAG
- **Olivier Guersent** - Commission européenne
- **Christopher Hossfeld** - ESCP Europe
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- **Robert Ophèle** - Président de l'AMF

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Clôture

Patrick de Cambourg

Président de l'Autorité des normes
comptables (ANC)

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