

## Value creation and corporate reporting 7 recommendations from the Paris Financial Marketplace

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On the occasion of the annual event of the International Integrated Reporting Council (IIRC), **Paris EUROPLACE today presents the recommendations from the Paris Financial Marketplace on the notion of value creation by companies and the associated forms of reporting.**

These recommendations express the joint position of the players of the Paris Financial Marketplace (companies, investors and financial intermediaries including professional associations) as well as the ongoing transposition into French law of the European directive on non-financial reporting will constitute an additional level by introducing two new concepts based on materiality<sup>1</sup>.

The recommendations address a double demand:

- On the one hand, from investors, analysts, and stakeholders of companies wishing to have concise, forward-looking information focused on the material issues and how companies create value.
- On the other hand, from companies mindful of producing reports providing better visibility of the actions that they implement to contribute to a sustainable economy and create financial and extra-financial value, while limiting the costs and processes involved in producing this information.

The Paris Financial Marketplace's recommendations are as follows:

1. **Shift the paradigm and support the general objectives and principles promoted by the integrated thinking approach, which is based on an integrated view of the company's financial and extra-financial performance.** This innovative approach provides a better understanding of the strategy of value creation over time and the overall performance of the company, and we encourage companies to include such disclosures in their reporting appropriately.
2. **For companies, encourage experimentation to identify and disseminate best practices. The IIRC's reference framework must remain a voluntary approach and not become a new standard that would be a source of additional constraints for companies. Companies must have the necessary flexibility and time to choose and develop the approach that suits them best.**
3. **For companies, simplify** their institutional communication framework **and limit** the volume and proliferation of the documents produced by focusing on material issues and the integration of financial and extra-financial data.
4. **For investors, rating agencies,** and other providers of extra-financial information, **better target the information requested from companies** in order to reduce the burdens of companies in terms of volume of information requested.

5. **For public authorities, review and simplify the French legal framework** in order to avoid the accumulation of obligations (Art. 225 of the Grenelle II law, transposition of the directive on non-financial reporting, duty of vigilance, Sapin II law on anti-corruption, Art. 173 of the law for the energy transition and green growth, etc.) and **promote an approach based on support and continuous progress**.
6. **For the European authorities, begin discussions on the relevance of reporting obligations** and the resulting requirements in all areas (financial and extra-financial information, information in case of financial transactions, etc.) in order to avoid accumulations of similar reporting obligations and thus allow companies to produce information useful for all stakeholders at a lower cost while protecting their business secrets.
7. **For the Paris Financial Marketplace, be active, committed participants in international discussions and exchanges** to facilitate the choice and consistency of approaches. It would be particularly beneficial for the **same levels of requirements** to be adopted in all OECD countries and for **US and European rules to be aligned**.

The information on value creation by companies is an issue for their attractiveness on the markets. It involves showing the company's links with its ecosystem and the interactions between financial and extra-financial, environmental, social, and societal information and reporting this information in an appropriate form.

**Paris EUROPLACE furthermore announces the establishment of a platform for exchange and discussion with the IIRC** on integrated thinking and reporting and on actions focused on the company's value creation in the short, medium, and long term.

**Arnaud de Bresson, Managing Director of Paris EUROPLACE** stated: *"In Europe, France has regulatory precedence in extra-financial reporting<sup>2</sup>. French companies are at the forefront of European and global best practices, having been committed to considering sustainable development issues for several years<sup>3</sup>. Building on this pioneering dynamic, the Paris Financial Marketplace—continental Europe's number 1 financial centre—wishes to represent the diversity of active stakeholders there, actively participate in discussions initiated on these topics, and promote greater simplicity, relevance, and flexibility of reporting which facilitate the emergence of best practices and meet investors' expectations."*

1 – Materiality: emphasis on over-arching issues that can have a significant impact on an organisation's ability to create value.

2 – 2001 NRE law, replaced in 2010 by article 225 of the Grenelle 2 law, supplemented by Article 173 of the law for the energy transition for green growth of 2015.

3 – Vigeo study of January 2015 on the evolution of reporting practices in 1,309 companies around the world.

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**About Paris EUROPLACE:**

*Paris EUROPLACE is the organisation in charge of developing and promoting the Paris Financial Marketplace and the French financial industry internationally. It brings together all financial industry stakeholders; its 400+ members include issuers, investors, banks and financial intermediaries,*

*insurance companies, attorneys and accountants, consulting firms, etc. The association is chaired by Gérard Mestrallet, Chairman of the Board of ENGIE.*

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