



30 October 2020

**Mr. Jean-Paul GAUZÈS**  
**EFRAG Board President**  
Square de Meeûs, 35  
B-1000 - Brussels  
Belgium

Dear President Gauzès,

The Italian Foundation for Business Reporting (O.I.B.R.) was formally established in June 2019, replacing the previous Italian body called NIBR which was founded in 2012.

The O.I.B.R. is an organisation dealing with the elaboration and dissemination of guidelines, studies and researches, principles, and standards with a technical and practical orientation in the field of business reporting, non-financial disclosure, sustainability and integrated reporting, and the TCFD recommendations. It gathers around 50 Italian stakeholders going from large listed companies to SMEs and Universities, professionals and managers, financial analysts and consultants. The O.I.B.R. is an authoritative Italian voice in the international dialogue on corporate reporting ([www.fondazioneoibr.it](http://www.fondazioneoibr.it) – [info@fondazioneoibr.it](mailto:info@fondazioneoibr.it)).

The O.I.B.R. is a legally recognised Foundation and is a market-led organization open to all the Italian stakeholders, inspired by an inclusive approach and with an articulated governance able to guarantee all the interests at stake. It is a non-profit and multi-stakeholder body, with no commercial engagement, and that operates exclusively in the public interest.

The O.I.B.R. leverages on international support by key-players such as the IIRC, GRI, SASB, and the World Business Council for Sustainable Development. It also officially represents the WICI Global Network in Italy and is part of WICI Europe.

The main activities of O.I.B.R. Foundation are:

- Provide Italy with a common meeting point and working platform;
- Represent a significant Italian voice in the global debate;
- Promote a new culture of reporting, transparency and governance in Italy and internationally;
- Develop and release local guidelines and standards;
- Conduct studies on topics that are felt as relevant by the Italian stakeholders;
- Organize multi-stakeholder working groups;
- Respond to, and engage with, national and international consultations.

The O.I.B.R. Foundation, like the preceding body N.I.B.R., have achieved a number of significant results which can be summarised as follows:

- The organisation of three National Conferences on integrated reporting, intangible assets, KPIs and value creation (2013, 2015, 2018);
- A large Inaugural Conference of the O.I.B.R. Foundation held in Milan at the Catholic University on 9 October 2019. Key-note speaker: Judge Prof. Mervyn King; amid the 30 speakers, there were Alain Deckers, European Commission, ESMA, EFRAG, IIRC, WBCSD, CONSOB-Italian Stock Exchange Regulator, OIC-Italian accounting standard setter, and several Italian Universities;
- 14 Seminars in Milan and Rome devoted to specific topics of interest to our stakeholders;
- The publication in English of the "Handbook on integrated thinking and reports: an implementation guide", that it is also in the IIRC website (<https://integratedreporting.org/resource/nibr-focus-on-integrated-thinking/>);
- The publication in Italian and in English of the "Guidelines on the representation of the business model in integrated reporting" that it is also in the IIRC website (<https://integratedreporting.org/resource/nibr-business-model-representation-in-integrated-reporting-best-practices-and-guidelines/>);
- The publication in Italian and in English of an "Implementation guidance on integrated reporting for SMEs" that it is also in the IIRC website (<https://integratedreporting.org/resource/integrated-reporting-for-smes-implementation-guidance/>).

The presentation and discussion of this Guidance has been made in September 2019 in an international joint webinar IFAC-IIRC-OIBR at the presence of 88 delegates from 33 countries;

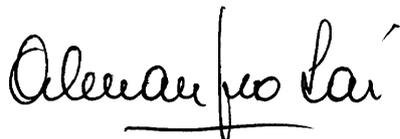
- The publication in Italian of the "Reporting guidelines for Benefit Companies" – the first and only available guideline in Italian for the reporting of this type of companies (<https://www.fondazioneoibr.it/linee-guida-e-documenti/>);
- The elaboration of the WICI-KPIs orientated towards value-creation for the fashion/luxury and electricity industries (indeed, WICI - alike SASB - develops and publishes KPIs and metrics specific for industries in the perspective though of value creation);
- The ideation and promotion of the 1<sup>st</sup>, 2<sup>nd</sup> and 3<sup>rd</sup> edition of the award for the best Italian Integrated Report (2018-2020). The award is presented annually in November during a ceremony held at the Italian Stock Exchange in Milan;
- The organisation in June 2019 of the official Italian Roundtable in relation to the “CRD Better Alignment Project” together with the IIRC and the CDSB (held in Milan);
- The organisation in July 2020 of the official Italian Roundtable in relation to the Integrated Reporting Framework revision process;
- The publication in Italian of the study on “Climate risk, company financing and insurance coverage: A contextualisation and the role of non-financial information” with the Preface by Mrs. Chiara Del Prete, Chairwoman, TEG, EFRAG (<https://www.fondazioneoibr.it/linee-guida-e-documenti/>). The official presentation of the study has been made during a webinar jointly organised by the O.I.B.R. Foundation and the Italian Young Chartered Accountants Association on 21 September 2020 with around 150 delegates;
- The organisation of the international Webinar on “Impact investing and the ESG information chain from companies to investors: challenges of a new reporting and behavioural era” to be held on 10<sup>th</sup> November 2020. Speakers include representatives from Eurizon Capital, State Street Bank, NN

Investment Partners, BancoPosta SGR, Unipol Group, Nedcommunity. Welcome addresses by the Chairman of the O.I.B.R. Foundation and the CEO of the IIRC.

In light of the above aims and activities, the O.I.B.R. Foundation is pleased to forward to you its responses to the Questionnaire you have proposed to our attention.

While we remain at your disposal, we thank you for the opportunity to collaborate with you and the EFRAG.

Sincerely yours,

A handwritten signature in black ink, reading "Alessandro Lai". The signature is written in a cursive style with a horizontal line underneath the name.

Prof. Alessandro Lai  
President  
O.I.B.R. Foundation

## **Responses to the President Gauzès' Questionnaire**

### ***1. Governance – Structure and due process***

*1.1 Standards need to be developed in the public interest and no individual category of stakeholder may exercise undue influence: How can it be best ensured that standards are developed based on **an inclusive and transparent due process**? What should be the characteristics of such a due process?*

The O.I.B.R. Foundation believes that the approach adopted by the IFRS Foundation to the Due Process can be a useful starting point for elaborating an inclusive and transparent procedure for the possible development of European standards on non-financial information.

The three fundamental principles of transparency, full and fair consultation, and accountability of the choices made are to be taken as reference.

The presence of a Due Process Oversight Committee and the development of a Due Process Handbook is also necessary.

Another important element for the setting up of a fair and transparent European Due Process in this field is the attention that should be given to the findings of the academic research on the specific subject area in consideration. This attention can be fruitful when it is given by the new possible European standard setter to both ex ante and ex post vis-à-vis the addressing of a particular topic. This research phase has often been bypassed by the IASB in consideration that the field of financial reporting is well-developed. Owing to the relative immaturity of non-financial reporting practices and the recognition that issuers are still failing to sufficiently meet existing requirements, research – in our view – is essential in developing robust European requirements. Provision should also be made for a 'proactive' research program to ensure that Europe remains at the forefront of high-quality and outcome-driven reporting.

A post-implementation review process (PIR) is also recommended as a component of the Due Process.

*1.2 **Relevant European institutions and agencies** shall be invited to be fully involved in the development of future standards, including the European Securities and Markets Authority (ESMA): How can these European Institutions and agencies be involved in the development of future standards and in the standard setter? Should there a particular role for ESMA?*

The O.I.B.R. Foundation thinks that the relevant European Institutions and Agencies should be involved, but not directly, in the elaboration of the non-financial reporting standards. They should be granted the role of Observers and be the enforcement partners of the standards.

The same applies to ESMA, being one of the supervisory authorities, which should take an Observer role and be a partner in the enforcement process.

It is advisable that the new European non-financial standard setting board be formed by a diverse group of stakeholders drawn from users/those impacted and preparers of non-financial reports in order not to mix up the different perspectives and functions of private vs. public sector entities (especially those with enforcement powers).

*1.3 To permit **relevant national public authorities** to provide input about whether any future standards are responsive to the public interest, how can these authorities be included in the governance of the non-financial reporting pillar? Which authorities would be the most relevant and how should they be involved?*

In general, the O.I.B.R. Foundation believes that relevant national authorities should be involved in the sense that an efficient and effective communication and collaboration channel should be established with the new European non-financial standard setting body. National authorities should not, in the interests of co-ordination and standardisation, be allowed to adapt requirements to their jurisdictions as this is likely to severely undermine the effectiveness of European governance arrangements.

By the same token, European national accounting standard setters should not be attributed the prevalence in the selection and appointment of the members of the new possible European standard setter for non-financial disclosure.

Furthermore, the local financial accounting standard setters should be encouraged to form, or to sponsor the setting up of, a national non-financial standard setting body, making sure that its members could have the adequate knowledge and expertise on these topics. It should be avoided that only financial accounting experts sit in these new national non-financial standard setting bodies in order to preserve the clarity of the respective functions, and to assure the presence of the needed expertise to dialogue with the European standard setter.

*1.4 Should private sector and civil society representatives be involved in the standard setting work? If so, what would be suitable options for doing so in a balanced way? Which stakeholders should be involved? Should the standard setting pillar be a **public-private partnership** like in the financial reporting pillar?*

The O.I.B.R. Foundation supports the view that both private sector and civil society should be involved in the standard setting work. For example, academics and NGOs with a clear and recognised expertise on non-financial reporting topics, including intangibles, could usefully take part in the new European standard setting body. We feel that competences are very relevant in this moment perhaps more than representativeness.

In general, the ‘non-financial’ accountabilities that flow from such reporting suggest those impacted by the activities of companies to be adequately represented in any arrangements as an analogue to the investor community in the case of financial reporting.

Local representative organisations in Europe operating in the area of non-financial reporting (e.g. O.I.B.R. Foundation in Italy, Observatoire de l'Immatériel in France, Schmalenbach Society in Germany, etc.) can also fruitfully be involved.

This is true also for the international organisations operating in this field, such as the WICI Europe Network, the International Integrated Reporting Council (IIRC), the GRI and the Global Compact, with which a useful interaction can be established in consideration of their experience and track record in defining frameworks, concepts and standards for non-financial reporting.

Auditors and assurance providers are also relevant for the standard setting work, even though their presence and weight should be carefully thought of and monitored owing to their evident conflict of interest with their consulting and assurance work for companies and other entities. Rather, auditors should be fully involved in the phase of enforcement.

In a wider perspective, the new standard setting initiative has to be conceived – in the O.I.B.R. Foundation's opinion – as a public-private partnership, where the private sector is directly involved in the standard setting work, whilst the public entities have a fundamental role of direction providers and oversight.

*1.5 If there were to be **SME** standards derived from the future EU non-financial reporting standards, how should the SME angle be addressed in the governance and in the standard setting process?*

As SMEs represent the backbone of many economies in the EU, the O.I.B.R. Foundation is convinced that a special Committee on SMEs, including relevant institutions such as EFAA and representatives of SMEs that are advanced in their non-financial reporting practices, should be set up within EFRAG or the new standard setter.

That said, it remains unclear whether there is a compelling need for SMEs to comply with detailed reporting requirements, where also the existence of users may be difficult to establish. Other accountability mechanisms may be warranted to ensure that it is not 'reporting for reporting's sake', but as a means of holding entities to account for their impacts.

The O.I.B.R. Foundation has a special interest in SMEs. In this respect, we signal to you that we have published the only operational guidance so far to implement integrated reporting in SMEs (<https://www.fondazioneoibr.it/linee-guida-e-documenti/>).

In more general terms, this is a domain where more experimentation should be encouraged to promote more efficient and meaningful reporting.

*1.6 Which **governance structure** would you foresee for the EFRAG EU non-financial reporting standard setting pillar? How would this fit in the overall EFRAG governance structure? What relation would there be with the financial reporting pillar, if any?*

We believe that the EFRAG governance and organisational structure has to markedly change to accommodate the possible new European standard setting body and the related committees and staff.

First, we think that EFRAG has to modify its name and to become a non-profit Foundation or alike within the scope and the statutes of the European Union in order to assure the neutrality of its action.

Second, within the new EFRAG, there should be two distinct, but inter-connected sections devoted to, respectively, financial reporting (TEG with an advisory and proactive role) and non-financial reporting (with a standard setting role), with a common view that financial reporting and non-financial reporting should be ultimately integrated in a comprehensive corporate report. The TEG and the standard setting body should be linked by a liaison coordinator or a joint committee.

Third, the two sections should have their own staff with differentiated expertise.

The proposed new structure poses, though, three criticalities:

- The new EFRAG will have an asymmetric function in the two main fields of activity (being a standard setter only for non-financial reporting).
- The relationships with the incoming International Sustainability Standards Board of the IFRS Foundation should be carefully thought of and planned.
- The establishment of research partnerships with European universities (with a track record in the field), which we believe is a further necessary component of the institutional structure. Such partnerships should draw on diverse research traditions and not be captured by a single approach to research.

## ***2. Governance – Cooperation with standard setters and other initiatives***

### ***2.1 Any future possible EU non-financial reporting standards must be built on existing reporting standards and frameworks to the greatest possible extent:***

- *How can the relevant existing standard-setting organisations be closely associated in future standardisation work? How would you see cooperation and involvement?*

The O.I.B.R. Foundation thinks that representatives of existing initiatives working in the area of non-financial reporting should sit or at least be represented by a liaison with the technical groups of the existing initiatives.

Policy bridges should also be established so that reporting is not seen as distinct from achieving wider European policy outcomes such as improving employee rights and training to support innovation.

- *More broadly, how should cooperation with existing public and/or private initiatives producing international standards and framework be established, to ensure that any future non-financial reporting standards applying in the EU build to the greatest extent possible on existing standards and frameworks?*

It is advisable that a large consultative forum be created, with regular working sessions and auditions.

The Board should be made accountable to private and institutional entities.

- *How can the EU non-financial reporting standard setting have a global impact?*  
We feel that the new EU initiative on possible standardisation of non-financial reporting can have a global impact essentially by showing leadership in terms of a robust and transparent due process, and be evidenced by high-quality reporting that can demonstrate improving accountability about value creation (also through intangibles) as well as societal and environmental outcomes.

Another impactful element could be the creation of a broadly constituted Consultative Forum to ensure that Europe can learn from national experiences in the area of non-financial reporting within and outside its regional boundaries (e.g., O.I.B.R. Foundation in Italy, Observatoire de l’Immatériel in France, Schmalenbach Society in Germany, but also Business Reporting Leaders Forum in Australia, <IR> US Community in the US, Brazilian Commission on Integrated Reporting, IRC South Africa, WICI Japan and the Japanese METI, etc.). The above-mentioned Consultative Forum could be the place where Europe can develop and strengthen the linkages in this field with its global partners and where it can exchange and learn from the differentiated national experiences around the globe.

*2.2 How to establish an appropriate **coordination between the financial and non-financial reporting** so as to ensure that financial and non-financial reporting provide an integrated view of the performance, position, development and impacts of reporting companies?*

The O.I.B.R. Foundation suggests the following three possible ways to establish an appropriate coordination between the financial and non-financial reporting within the new EFRAG.

**In terms of governance:** the new EFRAG can set up a high-level board where financial and non-financial representatives sit together. Also, a liaison operating committee can be established between the two units (financial and non-financial) within the new EFRAG structure.

**In terms of reporting positioning:** a European version of Management Commentary (*rectius*, Management Report for the European accounting directive) can be elaborated jointly by the financial reporting TEG and the new European standard setting body for non-financial reporting.

**In terms of contents:** unaccounted intangibles appear to be one of the most obvious topics where the coordination between the financial and non-financial reporting can be developed (see Figure 1). Another clear subject area for coordination is that of the reporting of non-financial risks and their potential financial impact (e.g., impairment test).

**Figure 1 – Position of Intangibles in the corporate reporting system**



Six capitals as defined by IIRC

Source: WICI Intangibles Reporting Framework, 2016

### ***3. Possible changes to finance of EFRAG***

#### ***3.1 What ideas do you have for financing of the non-financial reporting pillar? Should the financing reflect the public-private partnership?***

The finance of the new EFRAG is clearly a major delicate issue due to the extra-cost implied by the possible setting up of a new Board specialised on the standardisation of non-financial information.

We believe that the public-private partnership should be reflected also in the financing of the new EFRAG body.

The O.I.B.R. Foundation thinks that two will be the main sources of funding: one is linked to the EU Institutions, and in particular the European Parliament that could increase the current amounts provided to EFRAG; and the other one could come from the European companies that will be benefitting from the new possible non-financial reporting standards.

In latter's perspective, a new system of financial contribution could be put in place in relation to the filing/publication of the Non-Financial Statements required on companies by the NFRD in conjunction with the filing/official publication of their financial statements. When the ca. 6,000 European companies file/publish their Non-Financial Statements according to the EU Directive no. 95/2014, a modest levy can be charged on these companies, similarly to what happens in Italy for the partial funding of the Italian accounting standard setter (OIC).

For the sake of reflection, on the assumption of ca. 100 euros per company filing can be levied, this should allow for a private funding of the new European standard setting initiative of around 600,000 euros per year.

The levy in question can be of course modulated in accordance with the size of companies.