



**Organismo Italiano di Contabilità – OIC
(The Italian Standard Setter)**

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To the kind attention of
Mr. Kristian Koktvedgaard - Acting Chair of the EFRAG Sustainability Reporting Board

27 October 2026

Re: EFRAG Exposure Draft ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive

Dear Kristian,

OIC is pleased to have the opportunity to provide its comments on EFRAG Exposure Draft ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive (hereinafter, "ED").

OIC welcomes EFRAG's commitment to developing sustainability reporting standards for third-country companies as required by the Accounting Directive.

Although the mixed approach in the ED stems from an explicit request from the European Commission, it is OIC's view that it conflicts with both the objective of ensuring high-quality sustainability reporting and the principle of a level playing field between EU and non-EU companies. In particular, OIC wishes to point out the following consequences of this approach:

- competitiveness: allowing a mixed approach would create a competitive disadvantage for European companies, which are required to report impacts on a global basis across all topics. For example, a non-EU company could generate negative environmental and/or social impacts through local production activities related to products sold outside Europe. Under the mixed approach, such a company

could omit this information from its reporting, whereas EU companies are not permitted to do so. This would undermine the level playing field between EU and non-EU companies;

- feasibility: from a technical perspective, the separate management and reporting of EU-related impacts could give rise to significant challenges in terms of operational implementation and data reliability, creating a risk that information being collected may not be sufficiently accurate, complete, and reliable;
- comparability: the flexibility provided by the Standard to apply the mixed approach only to selected topics or sub-topics may result in fragmented reporting boundaries within the same sustainability statement. This could undermine the comparability of information, both between EU and non-EU companies and among non-EU companies themselves, thereby reducing the usefulness of the reported information for decision-making purposes.

For example, if the same topic were reported by companies using different reporting boundaries, it would be difficult to determine whether any differences in sustainability performance reflect actual differences in performance or merely result from the application of different reporting boundaries. In addition, such flexibility could give rise to opportunistic allocation practices that would be inherently difficult to verify.

Furthermore, the mixed approach may be particularly challenging to apply to certain impacts that, by their very nature, are not geographically contained and do not depend on the destination market of the final product. This is especially the case for impacts related to human rights and governance, as well as certain environmental matters, such as pollution and the release of microplastics.

Finally, regarding the 'EU-related impacts', OIC believes that the definition lacks sufficient clarity and may be overly broad. In particular, the ED does not provide adequate guidance on the criteria for determining when: (i) the identification of EU-related impacts can be considered meaningful, (ii) the company can reasonably assume that products/services are to be sold/provided in the EU market (including by third parties), and (iii) the resulting depiction of impacts can be considered 'fair'.

Therefore, in light of the above, OIC suggests maintaining a global approach across all topics, as this would better ensure the completeness, comparability, and reliability of sustainability information while preserving a level playing field between EU and non-EU companies.

Furthermore, attention is drawn to the provision of Article 40a of the Accounting Directive which allows non-EU companies to draw up their sustainability report, as an alternative to the standards for non-EU, in accordance with ESRs or in a manner equivalent to those sustainability reporting standards as determined in accordance with an implementing act on

the equivalence of sustainability reporting standards adopted pursuant to the Directive 2004/109/EC.

In this respect, OIC believes that it would be important for the European Commission to develop further also this option, on the basis of the standards already developed at international level (like those adopted by ISSB), clarifying the conditions for equivalence, with the aim of ensuring transparent and comparable sustainability reporting at a global level while preserving a level playing field between EU and non-EU companies.

As already highlighted in previous consultations, OIC has repeatedly expressed concerns about the introduction of the principle of fair presentation in the context of impact materiality, which, compared to the perspective of financial materiality, involves a multi-stakeholder approach. This issue would seem to be even amplified by the introduction of the mixed approach. Indeed, this approach may not ensure a faithful representation of the company's material impacts, in particular when there are significant impacts along the value chain that cannot be clearly attributed to the EU market. The information provided under this approach could, in fact, risk giving an incomplete picture of the company's impacts. Nevertheless, in order to ensure a level playing field between European and non-EU companies, OIC could support the reference to the fair presentation principle also for non-EU companies if, and only if, a global approach is retained for all topics, considering that:

- the principle of fair presentation has been maintained in Revised ESRs for European companies; and
- in their final formulation, the Revised ESRs state that the application of the Standards results in a report that achieves fair presentation.

In addition to the specific remarks on the ED referred to above, OIC considers it appropriate to also point out a few other aspects, although these relate primarily to the Level 1 provisions set out in Directive (EU) 2026/470. In this regard, it would be helpful if the European Commission could provide clarifications on at least the following points:

- how to determine the €450 million net turnover from sales and services that non-EU companies shall have generated for two consecutive years in the Union in order to be included within the scope of the directive, in order to ensure consistent application across Member States (clarifying whether a location-based approach or a customer-based approach should be applied);
- how to determine the €200 million net turnover from sales and services in the previous financial year for European subsidiaries that are also sub-holdings (clarifying whether the calculation should be carried out at the individual or sub-consolidated level);

- where more than one EU subsidiary exceeds the €200 million threshold, either in the same Member State or in different Member States, whether it is sufficient for only one of those subsidiaries to publish the sustainability report required under Article 40a of the Accounting Directive, together with a clarification on how coordination among Member States should be ensured.

Should you need any further information, please do not hesitate to contact us.

Yours sincerely,



Gianmario Crescentino
(Chair of the Board of Directors)