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Re: Consultation Paper on Sustainability Reporting

Dear Mr Liikanen,

OIC is pleased to have the opportunity to provide its comments to the Consultation Paper on Sustainability Reporting, published by the IFRS Foundation Trustees.

The consultation identifies important aspects that characterize the current debate on the standardization of sustainability disclosure.

Given the several existing initiatives on non-financial matter, the need to reach an acceptable degree of harmonization of the standards useful for the non-financial declaration is strongly requested by stakeholders, operators and markets in general, bearing in mind the goal of efficient and effective integration with financial information. Doing so, with a single report it is possible to provide users with a complete and transparent picture of the company's situation.

The interest of the markets is stressing the issue of the harmonization of non-financial standards, as in a global context the lack of comparison represents a threat to the effectiveness and the very usability of non-financial information. (Question 1)

The consolidated due process of development of international accounting standards that characterize the IFRS Foundation's twenty-year experience in accounting is a valid prerequisite for a similar function of global standard setter to be recognized also in the field of sustainability.

Due to the synergies that can be achieved with the IFRS Foundation, integrated reporting is set as a realistical goal within a reasonable time.

The necessary coordination between financial and non-financial standards could in fact be more easily reached.

The ways in which the project will be implemented in operational and governance terms will represent in our opinion an important aspect for the general acceptance of the initiative.

In fact, for its concrete implementation, the acquisition of the necessary technical expertise and the particular attention, in the governance structure, in relation to the stakeholders are fundamental.

On the first point, the IFRS Foundation itself identifies in the paper the methods and tools with which to overcome the technical gap: collaboration with the main producers of sustainability rules. In this context, the availability expressed by bodies such as CDP-CDSB-GRI-IIRC-SASB is of particular value.

Such collaboration would first give to the Foundation the opportunity to benefit from their experience in developing frameworks and standards right away. In the meantime, the IFRS Foundation will be able to launch the appropriate initiatives for the recruitment of resources with adequate technical skills.

Secondly, this cooperation would lead to the necessary continuity and gradual progress in the process towards global standardisation. This element would be particularly appreciated by operators who have long been adopting the existing standards because it would minimise the costs of adaptation.

On the second aspect, it should be noted that the issue of sustainability is particularly important not only for economic but also for social and political aspects.

In fact, it is at the centre of the international debate, and as known, it is a subject of incessant legislative activity. The IFRS Foundation, while taking on a role of standardisation of technical rules, cannot overlook this great interest that the subject matter has for public Authorities. Therefore, there is a need for the definition of governance tools to pay the necessary attention to this profile.

In this perspective, the Monitoring Board could play a particularly important role, both in its composition and in the operating rules to ensure a constant and smooth dialogue with the IFRS Foundation on this sensitive matter without creating a climate of opposition with the existing jurisdictional initiatives. (Questions 2 and 3)

In particular, Europe has now a considerable regulatory heritage on ESG factors (environmental, social, governance) and is launching further initiatives, even more ambitious for the development of the sustainability economy.

In addition, the work of a special task force for the development of standards for non-financial information is well advanced.

Given that the timetable for the implementation of the IFRS Foundation project may be longer than the actual implementation of the European project, the cooperation with the jurisdictional initiatives above-mentioned, in the case of Europe, would allow to reach a synergic climate through which Europe itself could make a valuable technical contribution to the work of the standard setter. (Question 6)

Coming then to deal with some technical specificities mentioned in the paper of the IFRS Foundation we believe to provide some input on the issue of the gradual approach and materiality.

It is certainly agreeable that climate change is of primary importance among the ESG factors. However, while accepting a step-by-step approach, the importance of other environmental, social and governance factors in the overall definition of the matter object of technical regulation cannot be overlooked. Therefore, it would be useful to prepare a roadmap that, for all ESG factors, provides the probable times of devolpment.

In fact, partial harmonisation indefinitely threatens to undermine the entire project. (Questions 7 and 8)

Similar considerations must also be made with reference to materiality.

The reasons justifying the proposed step-by-step approach are understood: to give immediate prominence to what appears to be, at least from the point of view of financial markets, the most pressing materiality, that is to say, for investors, and to postpone the possibility of regulating even double materiality to further developments.

From a technical point of view, it is agreed that single materiality lends itself immediately to a process of harmonization of the technical rules necessary for its determination. However, it seems essential that companies have standards that provide for the disclosure of both the impacts on the creation of value and those generated by the company on the external environment.

Therefore, in the awareness of the informative purposes for which the so-called double materiality is preordained, we believe that also on this aspect the IFRS Foundation prepares a specific work plan determining, in principle, the relative timing.

To support this request for scheduling, it is stressed that the principle of double materiality has already been present in the European regulations for a long time, just as considerations on the cd "dynamic materiality" are also relevant, recognized by CDP, CDSB, GRI, IIRC and SASB. This latter approach highlights how sustainability issues that are initially relevant to the external/societal impacts of companies can become, gradually or quickly, materials for the companies' own value creation process.

Forecasting the timing of completion of work on materiality is therefore crucial to avoid technical disharmonies and regulatory arbitrage on a profile that is particularly relevant to non-financial information. (Question 9)

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

Merry Christmas Dear Entaki!

Yours sincerely,


Paolo Gnes

(OIC Supervisory Board President)

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