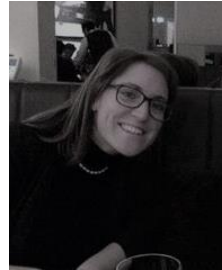


The OIBR Implementation Guidance on Integrated Reporting for SMEs

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**University
of Ferrara**

The NIBR/OIBR Guidance on Integrated Reporting for SMEs



- In December 2018 NIBR has published – in English and today in Italian – the document “Integrated Reporting for SMEs: Implementation Guidance”
- The aim is to support SMEs in implementing integrated reporting
- 95% of Italian companies are SMEs

International Background

- The International <IR> Framework published in December 2013 is “principles-based” and can be adopted independently of the organizational dimensions
- At a professional and institutional level the relevance of <IR> for SMEs has been recognized, amid others, by the Chartered Institute of Management Accountants (CIMA 2015) and the International Federation of Accountants (IFAC) SMP Committee (2017) which have produced ad hoc documents
- In 2015 SME & Entrepreneurship Taskforce of the B20/G20 promoted the creation of the World SMEs Forum (WSF)
- IIRC itself has started to include in the Examples Database cases of SMEs that implement the <IR>

The Rationale of the Guidance

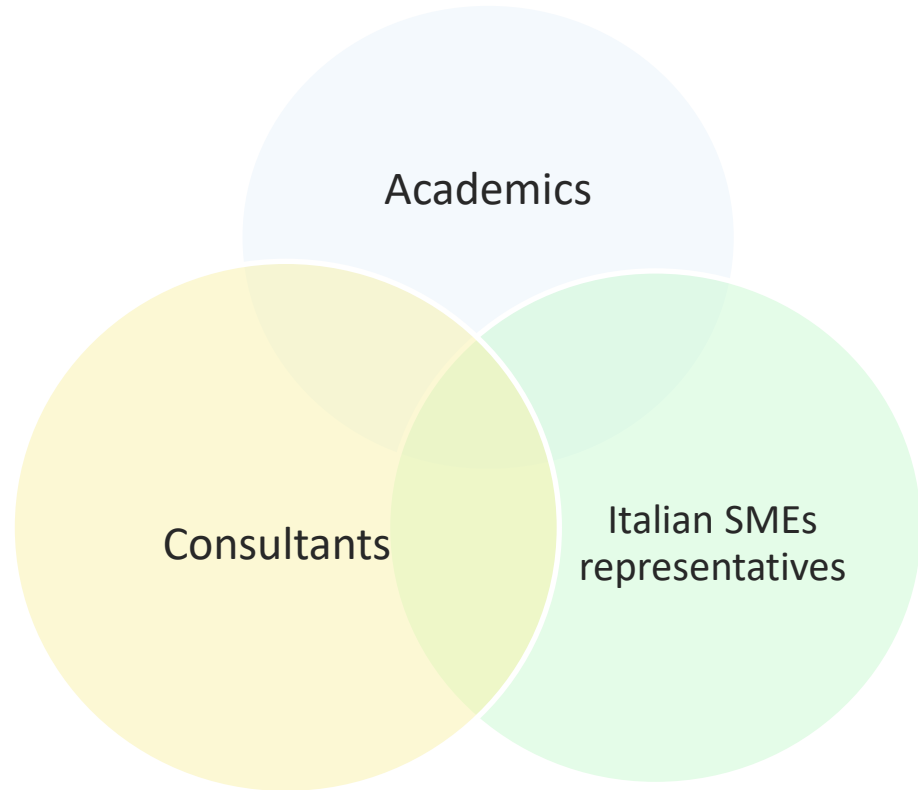
Despite the 'principles-based' nature of the Framework, the overall context in which SMEs operate is very different from that of large listed companies:

- Missing, or limited availability of, data and information
- Limited number of resources (human and financial) to be dedicated to the implementation of <IR>
- Lack of ad hoc organizational figures (e.g. sustainability managers)
- Not enough sensitivity by the governance towards these issues
- Difficulty of "operationalizing" some of the guiding principles contained in the Framework

To summarise, SMEs struggle to communicate a fundamental intangibles → value creation

The Establishment of a NIBR Working Group

- Started in 2016
- Multi-stakeholder nature



The Guidance: Main characteristics



- It does not intend to replace the Framework → the Framework is "read and described" through the eyes of SMEs
- It represents an operational tool to support the implementation of <IR>
- It provides terminological clarifications (Business Reporting, Integrated Reporting, Financial Reporting)
- It presents an 'international focus' on cases and a roadmap outlined by the experience of four Italian SMEs (Costa Edutainment SpA, Dellas SpA, Novamont, SpA, Stafer SpA)
- It provides a list of KPIs / KRIs that SMEs can adopt

The Guidance: Main characteristics (cont'd)

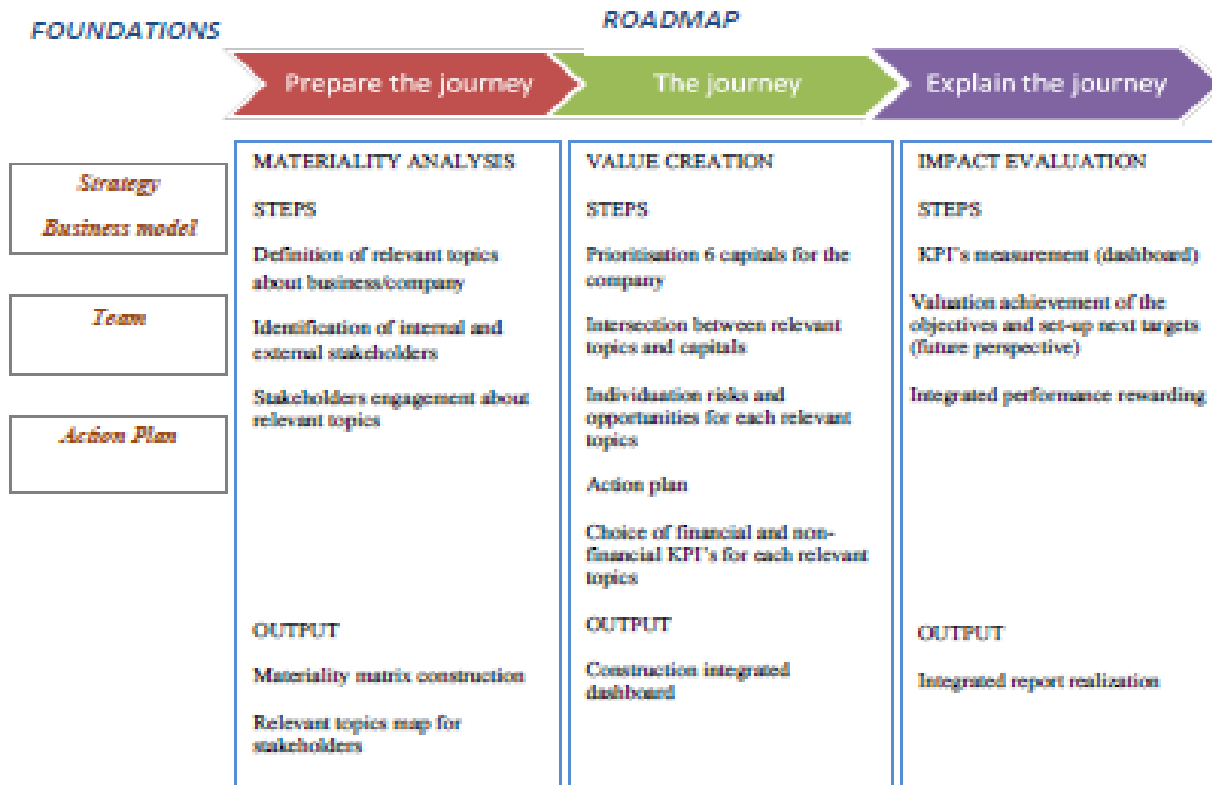
Strategic focus and future orientation

Strategic focus and future orientation: An integrated report should provide insight into the organization's strategy, and how it relates to the organization's ability to create value in the short, medium and long term and to its use of and effects on the capitals (IIRC Framework, 2013: § 3.3).

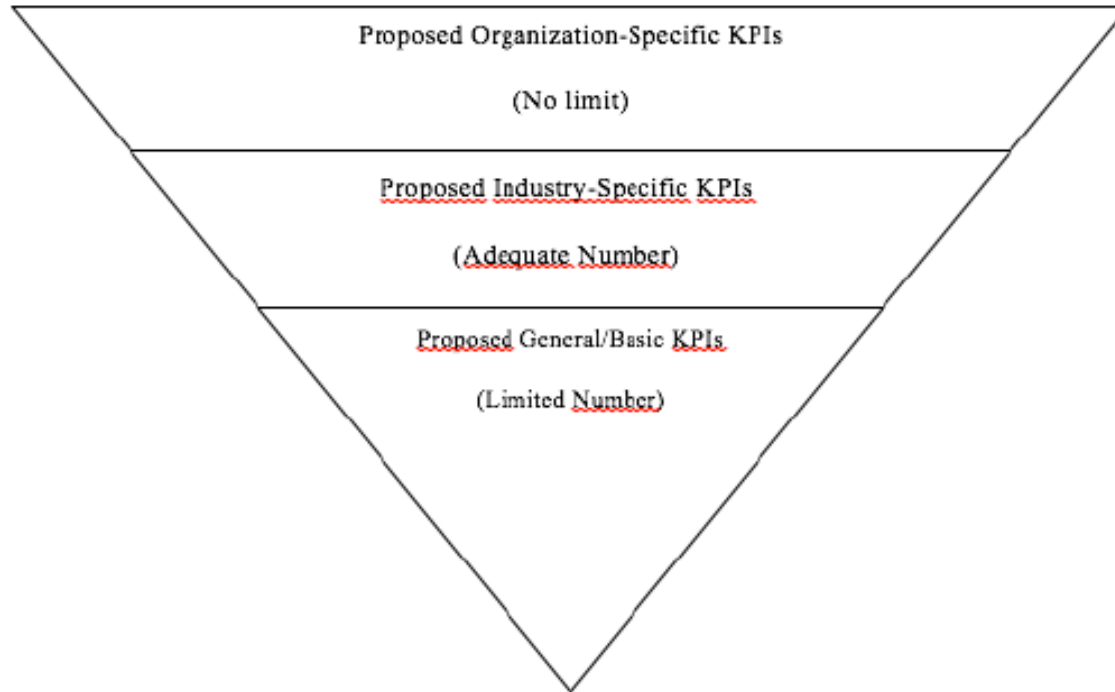
The implementation of this principle becomes important in the representation of the company's business model because it describes its alignment with the changes that occur in the market. In addition, the principle allows illustrating how the availability of and the various types of capitals contribute to the achievement of strategic objectives.

For SMEs it is essential to represent how the strategy can support the value creation process over time and how it will develop in the future, giving a comprehensive overview of the possible ways forward and opportunities that the organisation intends to achieve.

The Guidance: Main characteristics (cont'd)



The Guidance: Main characteristics (cont'd)



The adoption of the ‘inverted pyramid approach’ of the WICI Intangibles Framework

The Guidance: Main characteristics (cont'd)

Industry-Specific KPIs (Relationship Capital)

- 1 Number of customers
- 2 Number of new clients
- 3 Level of customer concentration by sale classes
- 4 Level of sales concentration by customers and geographical area
- 5 Customers segmentation by market or territory
- 6 % of foreign sales on total sales
- 7 Breakdown of turnover by sales/distribution channel
- 8 % of sales to direct sales
- 9 % of sales to indirect sales
- 10 % of turnover by web (e-commerce)
- 11 Number of employees devoted to commercial activity (sales and marketing)

Organization-specific KPIs (Intellectual and Structural Capital) manufactured

- 1 Infrastructure owned (number/value)
- 2 Infrastructure rented or leased out
- 3 Number and type of certifications
- 4 Number of certified sites/venues
- 5 Number of operating sites
- 6 Number of sites/branches abroad
- 7 Number of production sites

KPIs are proposed to report information on capitals (included intangibles ones) at the industry and organizational levels

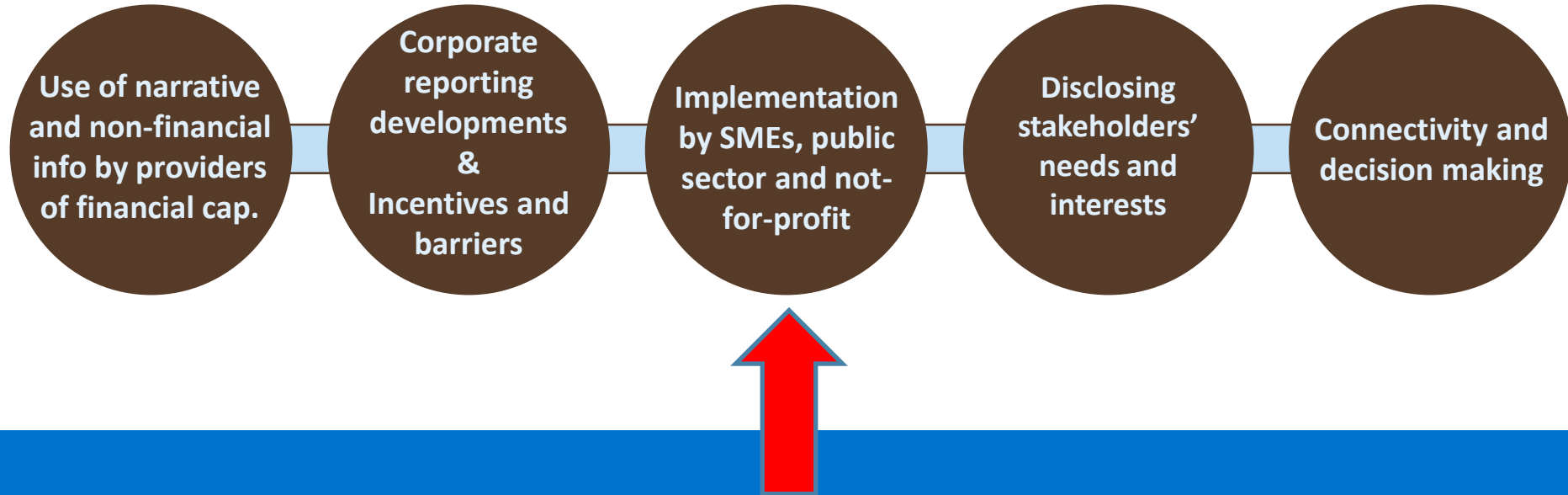
The Guidance: Main characteristics (cont'd)

Organization-specific KRIs

- 1 Level of concentration of credit lines granted by financial institutions
- 2 % of credit lines utilized
- 3 Hedge operations for interest rate risk protection
- 4 % of total net debt
- 5 Checks on new customers' solvency
- 6 Bad debt provision
- 7 Price and availability risk in procurement
- 8 Market price monitoring
- 9 Reputational risk management
- 10 Checks on incoming materials
- 11 Checks on the quality of products sold
- 12 Checks on the service level provided to customers
- 13 Checks on customer satisfaction

A list of KRIs is also proposed

Calls for Research will be launched on the following topics



THANK YOU!

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