



INTEGRATED REPORTING <IR>

SMEs and integrated reporting

A joint IFAC / IIRC / OIBR webinar
September 17 2019

Speakers



Matteo Pozzoli
Member,
**IFAC Small and
Medium Practices
(SMP) Committee**



Prof. Stefano Zambon
Secretary General
**OIBR and
University of Ferrara**



Dr. Laura Girella
Technical and
Research Manager
IIRC



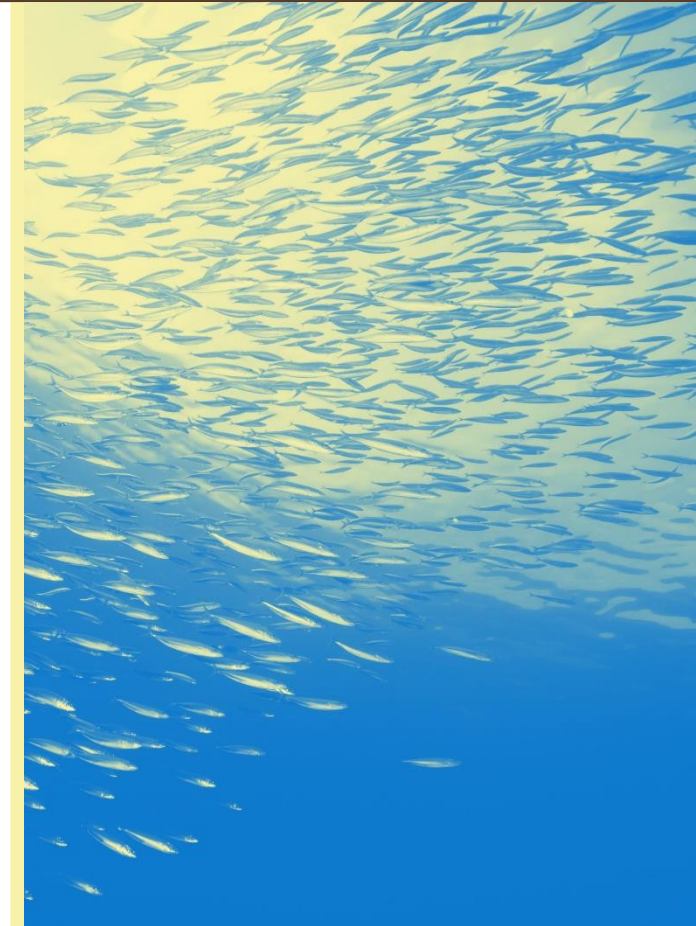
Andrea Ragazzini
Chief Value Officer and Head of
Management Control
Stafer



Marco Pasquotti
Group CFO, **Dellas Spa**
Chairman, **Italian CFOs
Association (ANDAF)**
North-Eastern Section

Agenda

- Welcome
- IFAC's perspective
- “Integrated Reporting for SMEs: Implementation Guidance”, latest publication of NIBR/OIBR and the WICI Global Network
- Case studies
 - Stafer
 - Dellas
- Q&A session

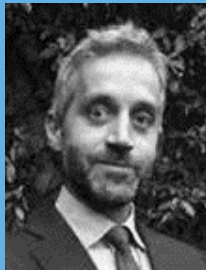




Benefits of integrated thinking and reporting for SMEs

IFAC's perspective

Matteo Pozzoli
Member,
IFAC Small and
Medium Practices
(SMP) Committee



Enhancing Organization Reporting: IR Key

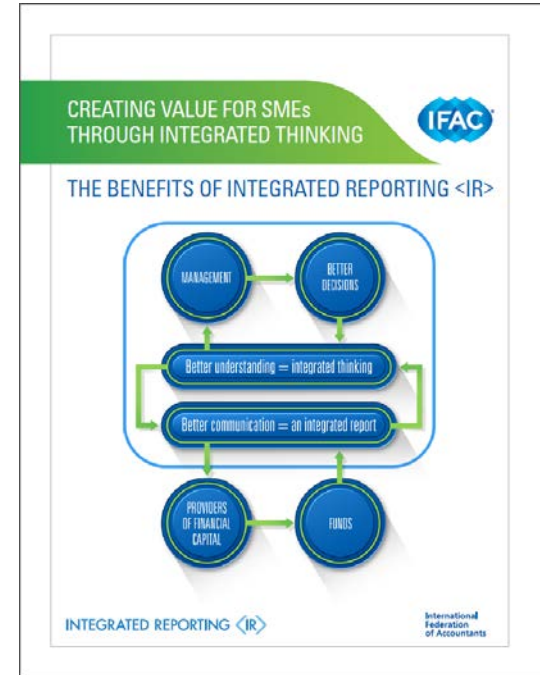
- IR as a way to achieve a coherent corporate reporting system
- Strongly support the IIRC and its reporting framework
- IR can be used as an “umbrella” report for an organizations broad suite of reports and communications
- Recognized that the accounting profession has a significant contribution to make



Creating Value for SMEs through Integrated Thinking

The Benefits of IR

- How do SMEs create value?
- Promoting Integrated Thinking
- The Multiple Capitals in an SME context
- IR Benefits – better understanding & communication



<https://www.ifac.org/publications-resources/creating-value-smes-through-integrated-thinking>

Benefits of Integrated Thinking & Reporting

- Enable business owners/ NPOs to better understand their business & operations – assist better decision making
- Effectively manage limited resources available - contributing to the creation of long term value
- Better understanding & communication – helps create trust with stakeholders
- Information on the “full picture” of how an SME creates value e.g. connection to non-financial measures

IFAC Global Knowledge Gateway

- [Integrated Reporting: Quantitative or Qualitative?](#), by Smith, April 2017
- [A Call to Action: Walk the Talk on Integrated Reporting](#), by Gould, June 2017
- [Integrated Thinking: A Pillar for Integrated Reporting](#), by Olsson, July 2017
- [Integrated Thinking & Reporting Requires Trusted Advisors: Guiding Your SME Clients](#), by Attolini & Olsson, August 2017
- [The Case for SMEs to Consider Integrated Thinking and Reporting](#), by Thompson, October 2017
- [How Can SMEs Implement Integrated Reporting? A Starter Kit](#), by Thompson, December 2017
- [Trends in Disclosing Non-Financial Information](#), by Gómez, May 2019
- [Benefits of Integrated Reporting for Small Businesses and Not for Profit Organizations](#), by Pozzoli & Yong, July 2019



Integrated Reporting for SMEs: Implementation Guidance

NIBR/OIBR and the WICI Global
Network

Prof. Dr. Stefano Zambon
Secretary General,
**OIBR and University of
Ferrara**



The Institutional Context and Background



The Italian Network for Business Reporting (NIBR)

- From 2012 to 2018, a network of Italian stakeholders has been active in working on corporate and integrated reporting and sustainable development, representing also the WICI Global Network in Italy
- The original founding partners are Italian Stock Exchange, Italian Association of CFOs (ANDAF), the Italian Association of Auditing Firm (ASSIREVI), the University of Ferrara and the Italian Association of Financial Analysts (AIAF)

Main results over the years:

- Three national conferences on intangible assets, integrated reporting, KPIs and value creation (2013, 2015, 2018)
- 14 seminars
- A Handbook on integrated thinking and reports: an implementation guide
- Guidelines on the representation of the business model in integrated reporting
- Implementation guidance on integrated reporting for SMEs
- Reporting guidelines for benefit companies
- 1st and 2nd edition of the award for the best Italian integrated reporting (2017/18/19)

The New «Italian Foundation for Business Reporting»



- After 6 productive years, the need was felt to transform a Network into a more stable and structured organization → the Italian Foundation of Business Reporting (O.I.B.R.), which is an open and inclusive legal Foundation
- The President of the Foundation is Prof. Lai (University of Verona)
- GRI, IIRC, SASB and WBCSD support O.I.B.R.
- On 9 October 2019, the international launching event of the O.I.B.R. will be held in Milan at the Catholic University

The New «Italian Foundation for Business Reporting» (cont'd)



The main activities of O.I.B.R. 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
- Develop and release local guidelines and standards
- Conduct studies on 'hot topics'
- Organize multi-stakeholder working groups
- Respond to national and international consultations

OIBR

Organismo Italiano
Business Reporting



website www.fondazioneoibr.it



Twitter
@FondazioneOIBR



Organismo Italiano
Business Reporting

For info
info@fondazioneoibr.it

The NIBR/OIBR Guidance on Integrated Reporting for SMEs



- In December 2018 NIBR has published – in English and 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>

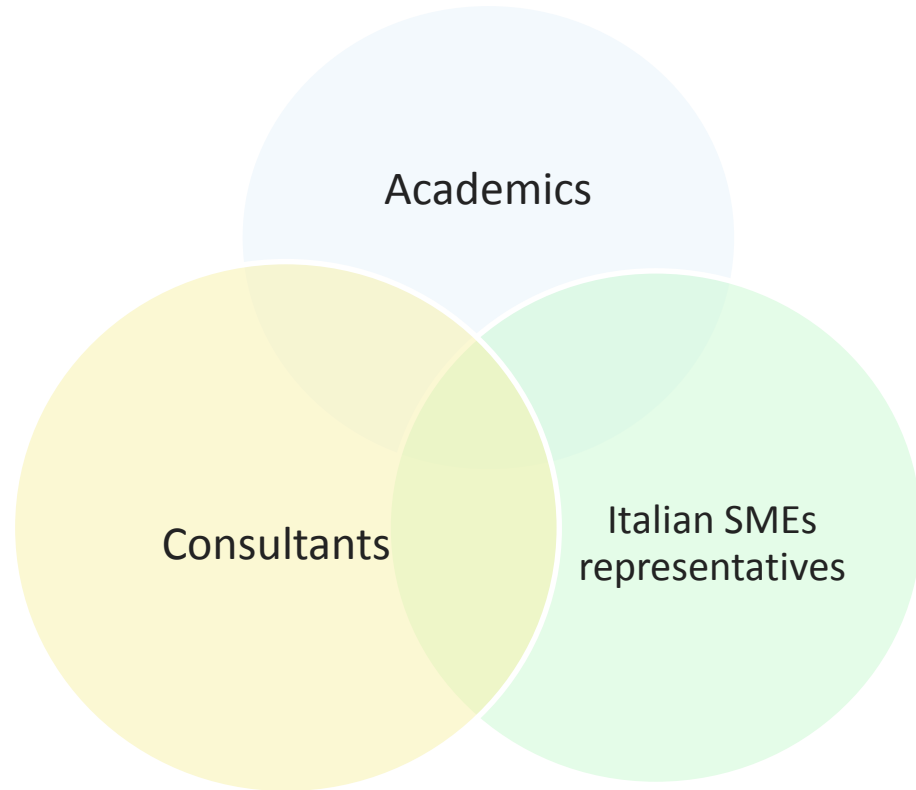
The Rationale of the Guidance

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

The Establishment of a NIBR Working Group

- Started in 2016
- Multi-stakeholder nature



THANK YOU!

zmbsfn@unife.it

Dr. Laura Girella
Technical and Research Manager
IIRC



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)

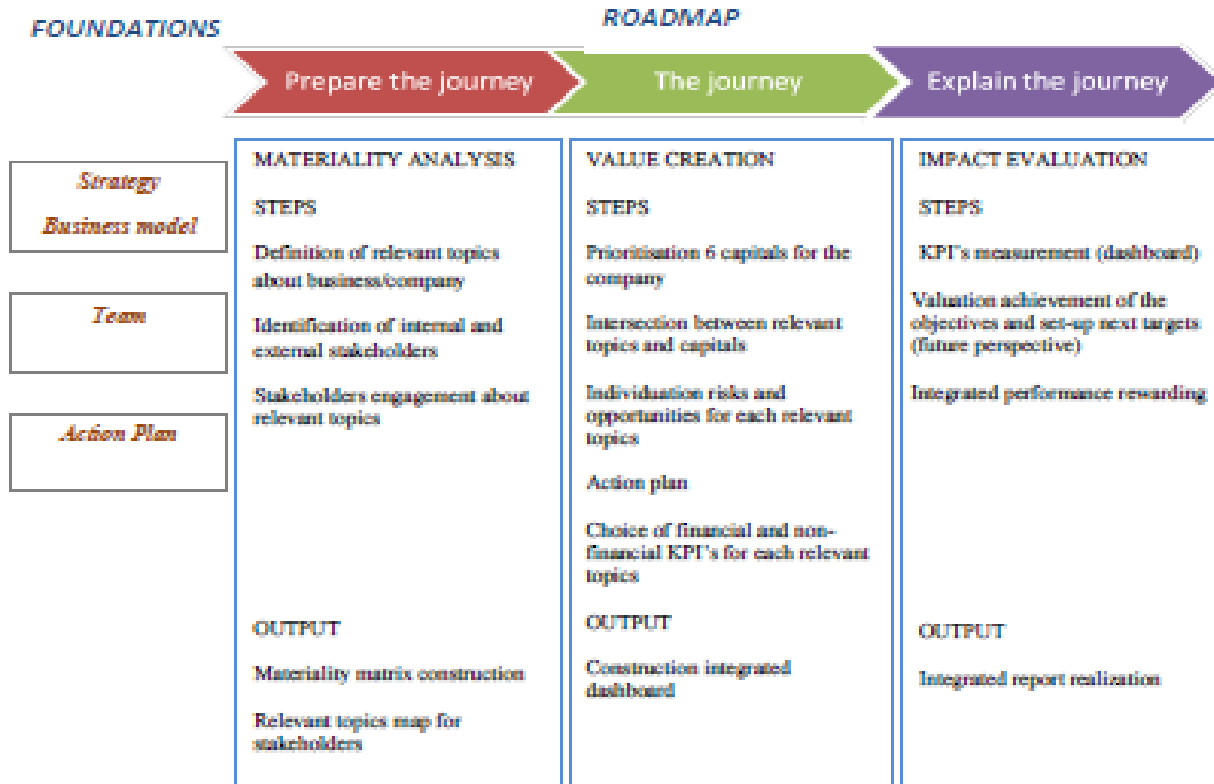
Strategic focus and future orientation

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)

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 at the industry and organizational levels

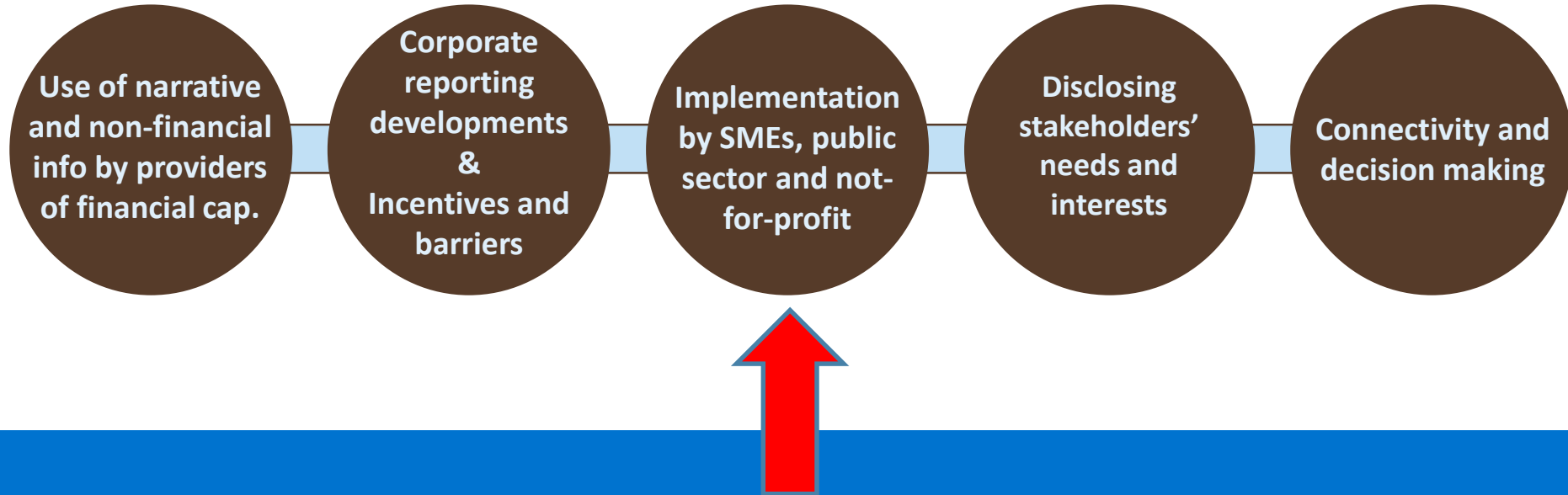
The Guidance: Main characteristics (cont'd)

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!

laura.girella@theiirc.org

Stafer

Case study 1

Andrea Ragazzini

Chief Value Officer and Head of
Management Control

Stafer



Who we are and what we do



Born in **1960** and
settled in **Faenza**,
Italy



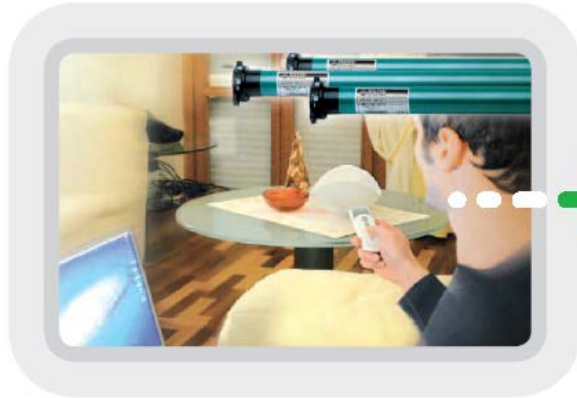
55 Employees



€ 10.300.000
Revenues in 2018
in **42** Countries



Who we are and what we do



We design, produce and sell



Systems and solutions for
rolling shutters

Reasons for Integrated Reporting



Explain to Stakeholders how we create Value and how we manage intangible assets for the company and the territory



Especially for Human Resources, wellbeing and internal processes



Sustainability is a part of the process



The «IR» process was lead by the CEO and CFO



We didn't do the «Sustainability Report»

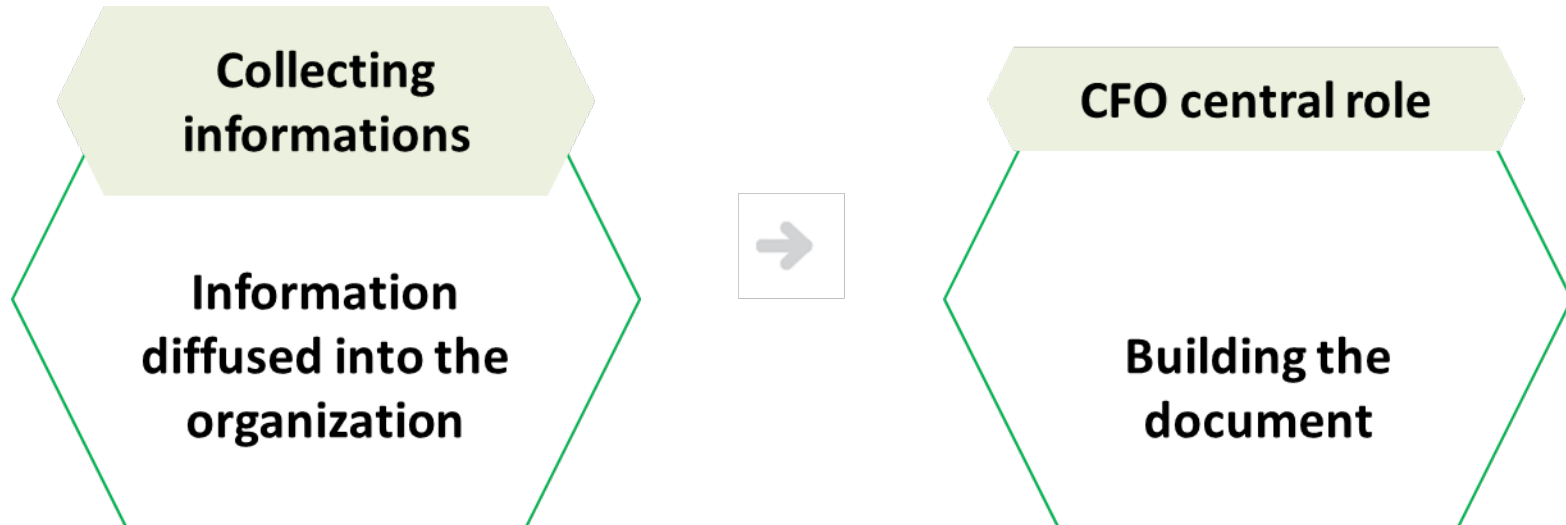


Before we started the «IR» process the Company had different management assets:

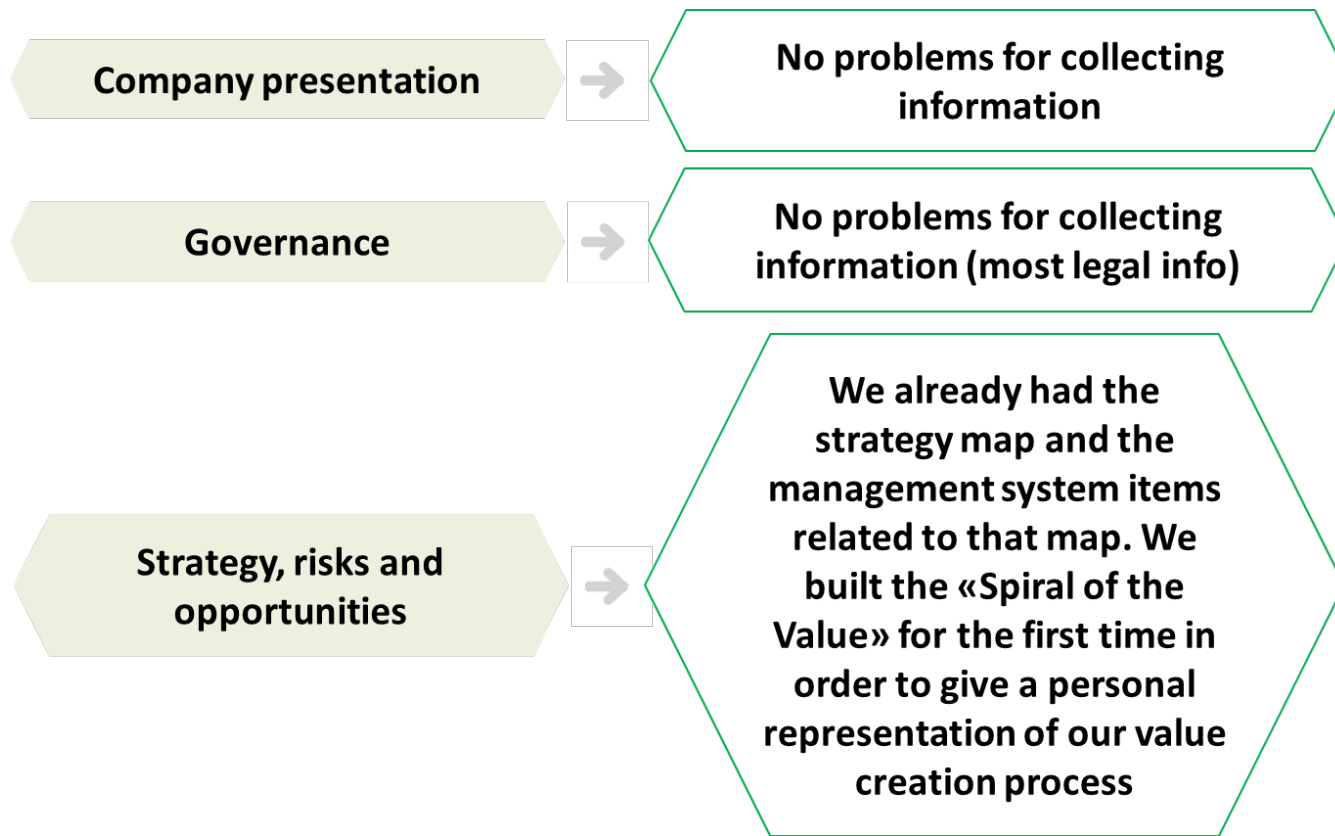




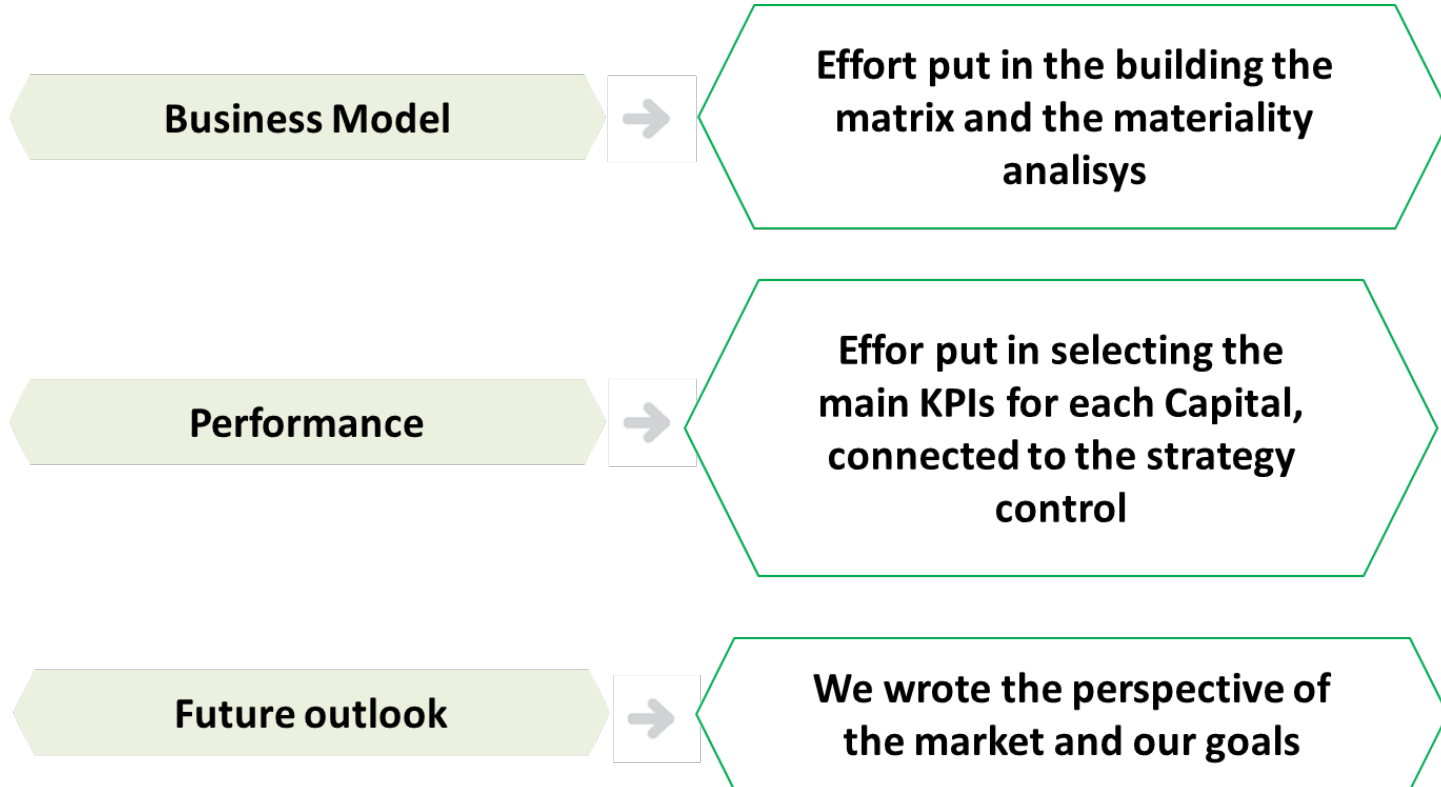
The main effort has been spent for translating the company reality through the IR framework



Building the contents



Building the contents





**Trade Unions
Relationship**

**2018 – Cowinner
Best Integrated
Reporting Award**

Case Study

**We've learnt a new instrument for value creation communication
and we will continue to use it for our corporate communication**

Thank you for the attention



Dellas

Case study 2

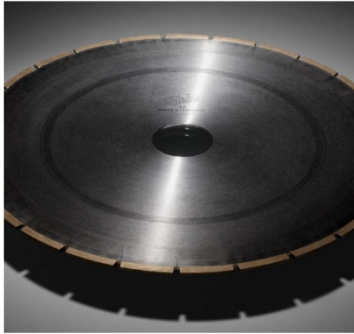
Marco Pasquotti

Group CFO, **Dellas Spa**
Chairman, **Italian CFOs**
Association (ANDAF)
North-Eastern Section



REFERENCE MARKET & COMPETITIVE POSITIONING

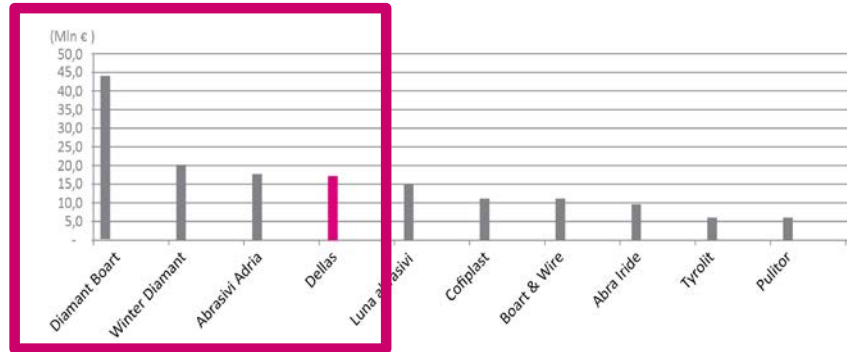
TOP 4 MAIN PLAYERS



LEADERSHIP

The global market of diamond tools is estimated to be approximately 700 million euro.

Dellas is among the 4 main international players, which have together a market share of 14%.



REFERENCE MARKET & COMPETITIVE POSITIONING

HIGHLIGHTS 2018

€18M

Consolidated
turnover

€27M

Total invested
capital

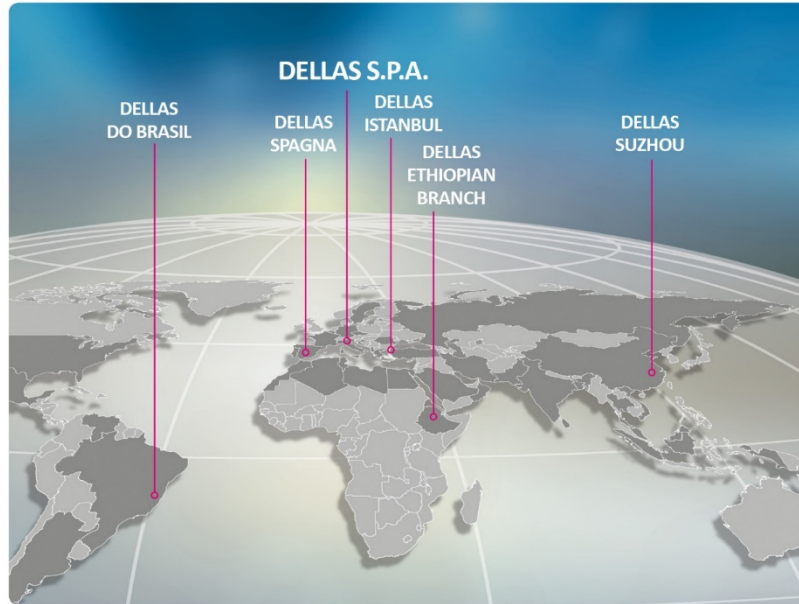
134

Employees

671

Customers

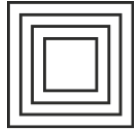
REFERENCE MARKET & COMPETITIVE POSITIONING



KEY DRIVERS

1. Relevant R&D investment
2. Direct presence in the most relevant markets
3. Over 70% export share

WHY HAS DELLAS IMPLEMENTED IR ?



OPTION 1

DOWN-SIZING
following the
market drop



OPTION 2:

INVESTMENTS in
internationalization
and R&D

WHY HAS DELLAS IMPLEMENTED IR ?

Dellas needed to go beyond Financial Reporting
with 2 OBJECTIVES:



**BETTER COMMUNICATION
(EXTERNAL TOPIC)
toward stakeholders**



**BETTER
UNDERSTANDING
(INTERNAL TOPIC)
for management and
shareholders**

CORPORATE REPORTING EVOLUTION

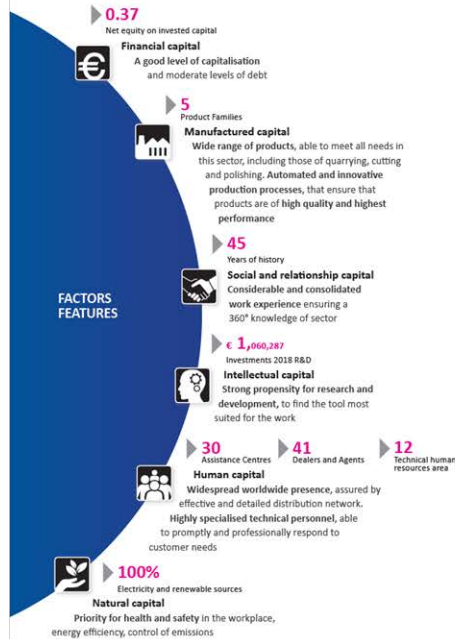


BUSINESS MODEL AND VALUE CREATION PROCESS

Business Model and Value Creation

Sector: Technical Stone and Marble

Sub-Sector: Diamond tools



INTERESTED STAKEHOLDERS	INVOLVEMENT THEMES	KEY PERFORMANCE INDICATORS
<ul style="list-style-type: none"> Shareholders Banks Public Administration <p>(page 29)</p>	<ul style="list-style-type: none"> Added value distribution 	<ul style="list-style-type: none"> Added value total product Group Turnover <p>+3% Consolidated turnover</p> <p>BBB- Rating</p>
<ul style="list-style-type: none"> Shareholders Banks <p>(page 32)</p>	<ul style="list-style-type: none"> Value of fixed assets 	<ul style="list-style-type: none"> New investments in tangible and intangible fixed assets <p>€ 1,200,000 Capital increase absolute</p>
<ul style="list-style-type: none"> Customers Suppliers Community <p>(page 33)</p>	<ul style="list-style-type: none"> Service, after-sales at the customer's premises and level of service in terms of the reliability of deliveries Reliability and regularity of payment Economic and social development in the community 	<ul style="list-style-type: none"> No. of non-conformities Average delivery times Average Credit Rating Lead production Time for MTO Top 30 suppliers in seniority DPO (mean supplier payment time) No. of charity donations <p>1.9% Nonconformity of the product</p> <p>3.08 CS Production Lead Time</p> <p>9 Years suppliers in seniority</p>
<ul style="list-style-type: none"> Customers <p>(page 38)</p>	<ul style="list-style-type: none"> Product quality excellence 	<ul style="list-style-type: none"> Costs allocated to R&D projects Hours allocated to R&D projects <p>1,060,287 Total R&D costs</p> <p>6.1% R&D investments on sales</p> <p>23,022 Total R&D hours</p>
<ul style="list-style-type: none"> Human resources <p>(page 42)</p>	<ul style="list-style-type: none"> Improvements to responsibilities, abilities, skills Increase in level of safety at the workplace 	<ul style="list-style-type: none"> Staff turnover No. of Accidents <p>18.3% Staff turnover</p> <p>3 Accidents</p>
<ul style="list-style-type: none"> Environment <p>(page 49)</p>	<ul style="list-style-type: none"> Improvement in the energy efficiency of production plants 	<ul style="list-style-type: none"> Electricity consumption in CO2 equivalent CO2 equivalent saved in fuel <p>222 CO2 (ton) electricity</p> <p>541 CO2 (ton) eq. saved</p>

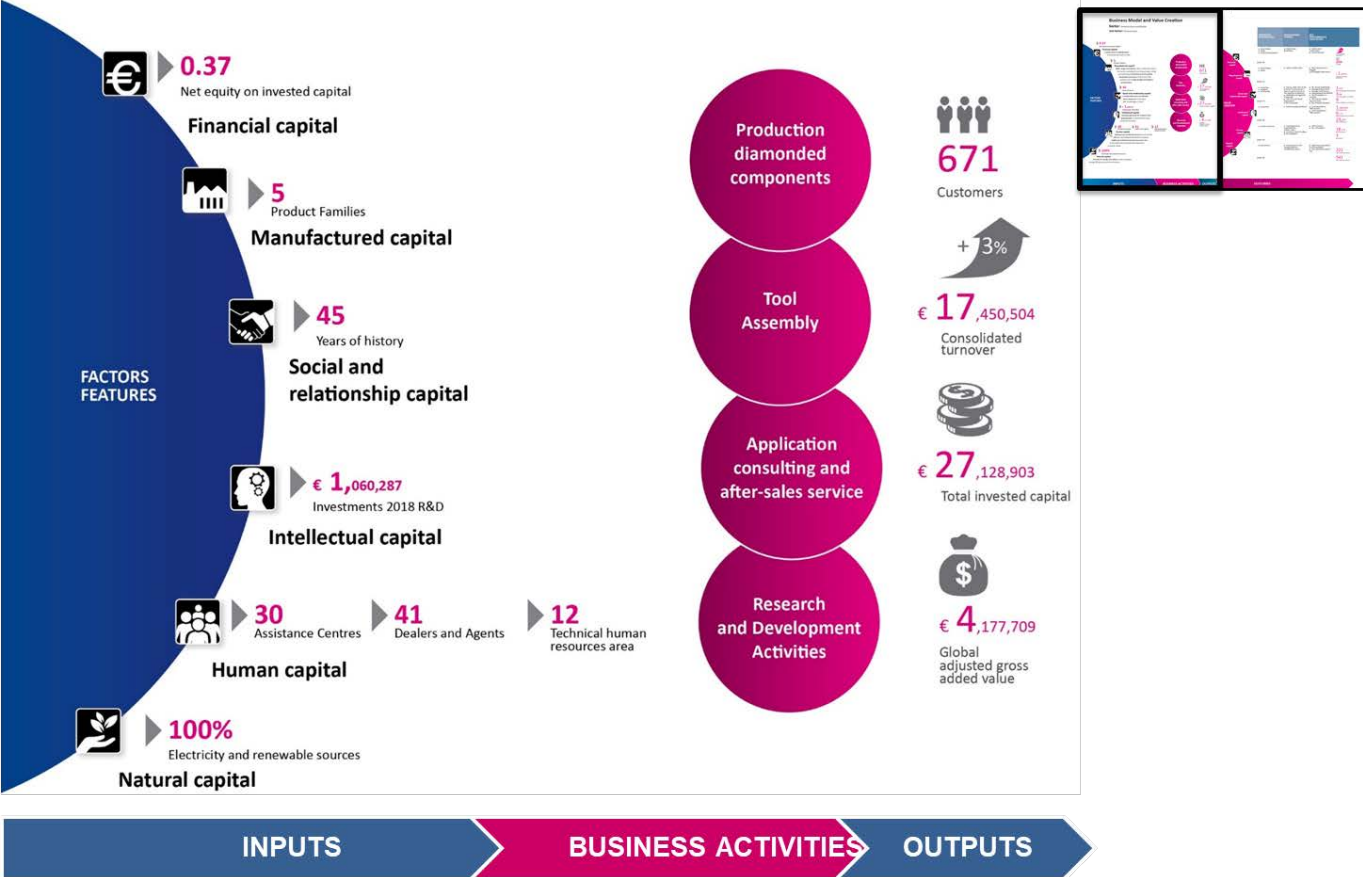
INPUTS

BUSINESS ACTIVITIES

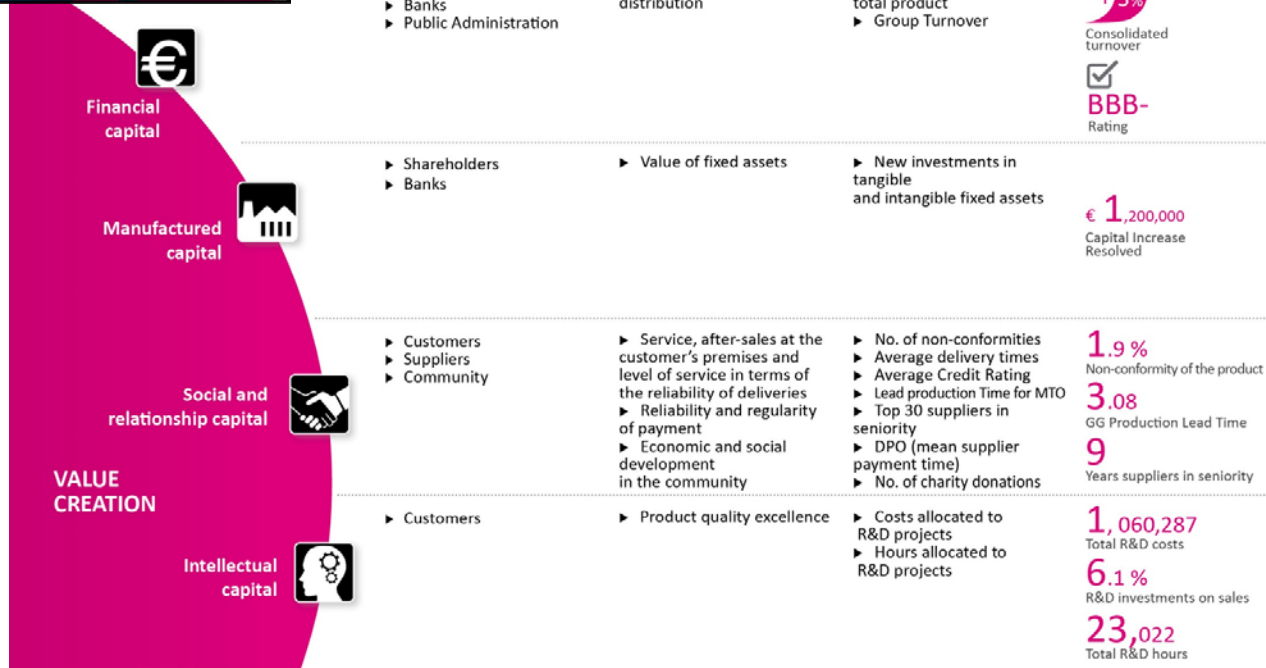
OUTPUTS

OUTCOMES

BUSINESS MODEL AND VALUE CREATION PROCESS

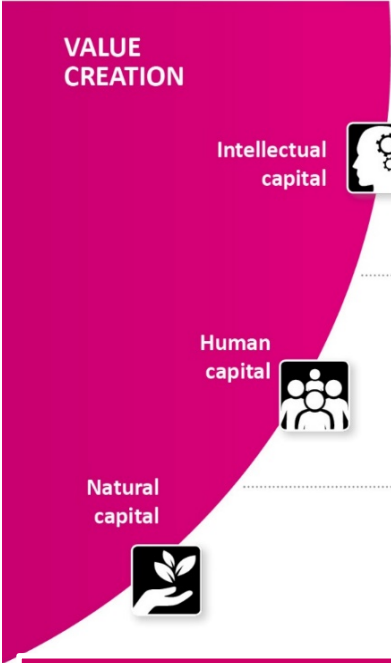
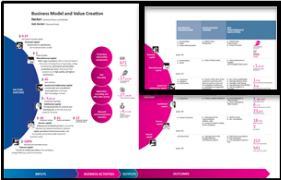


BUSINESS MODEL AND VALUE CREATION PROCESS



OUTCOMES

BUSINESS MODEL AND VALUE CREATION PROCESS



INTERESTED STAKEHOLDERS	INVOLVEMENT THEMES	KEY PERFORMANCE INDICATORS
-------------------------	--------------------	----------------------------

▶ Customers

▶ Product quality excellence

▶ Costs allocated to R&D projects
▶ Hours allocated to R&D projects

1,060,287
Total R&D costs

6.1 %
R&D investments on sales

23,022
Total R&D hours

▶ Human resources

▶ Improvements to responsibilities, abilities, skills
▶ Increase in level of safety at the workplace

▶ Staff turnover
▶ No. of Accidents

18.3 %
Staff turnover

3
Accidents

▶ Environment

▶ Improvement in the energy efficiency of production plants

▶ Electricity consumption in CO2 equivalent
▶ CO2 equivalent saved in fuel

222
CO2 (ton) electricity

541
CO2 (ton) eq. saved

OUTCOMES

FRAMEWORK AND METRICS



DIFFICULTY, CHALLENGES, OPPORTUNITIES?



AGAINST INTERNAL AND EXTERNAL ENEMIES.

- Is disclosure always an advantage?
- Could it benefit our competitors?

DIFFICULTY, CHALLENGES, OPPORTUNITIES?



TEAM ENGAGEMENT

- CEO and Chief Sales Officer
- Chief Financial Officer (CFO)
- Chief Operations Officer (COO)
- HR Manager
- R&D Manager

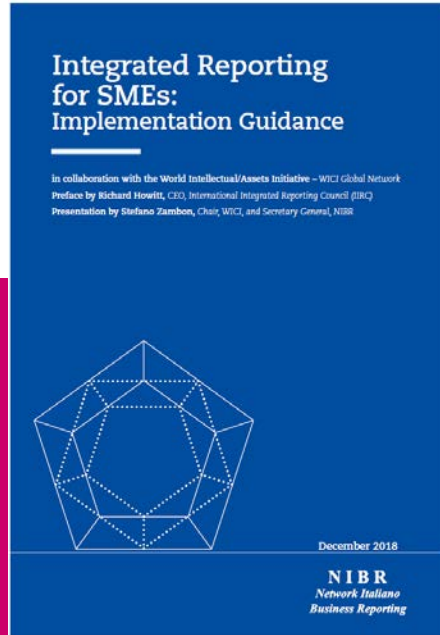
IR DELLAS AS CASE STUDY



CASE STUDY DELLAS

Italian edition of «**The integrated reporting movement**», authored by Robert G. Eccles, Michael P. Krzus and Sydney Ribot, has an entire chapter about **Dellas**, as Case Study.

IR DELLAS AS CASE STUDY



INTEGRATED REPORTING FOR SMES: IMPLEMENTATION GUIDANCE

4 case studies:

- Costa Edutainment SpA,
- Dellas SpA,
- Novamont SpA,
- Stafer SpA

Working Group:

- *Andrea Panizza AP & Partners (Coordinator)*
- *Mara Del Baldo University of Urbino (Co-Coordinator)*
- *Vittorio Santacroce IC2 (Co-Coordinator)*
- *Simona Bondanza Costa Edutainment*
- *Isabella Cristina Mixura*
- *Susanna Galli Novamont*
- *Pietro Gasparri Banca Akros*
- *Laura Girella International Integrated Reporting Council & University of Genoa*
- *Marco Pasquotti Dellas*
- *Giuseppe Marzo University of Ferrara*

IR IMPLEMENTATION: COSTS AND BENEFITS



COSTS?

no need to hire new staff

training costs covered
by public financing

implementation project
completed in 3 years



BENEFITS?

corporate image and
reputation improvement

better position in the supply chain

greater trust and credibility
with providers of financial capital

CONCLUSIONS



1. Do you have to convince finance providers of your ability to create value in order to pay dividends or to repay capital?
2. Are you seeking a strategic buyer ensuring your future profitability and cash generation?
3. Are you planning to start a technological partnership with your main supplier?
4. Are you facing a tender process with government agencies and not-for-profit organizations?

**Your company should consider implementing
Integrated Reporting!**



DELLAS S.p.A. Via Pernisa 12, fraz. Lugo
37023 Grezzana (VR) - Italy
Tel. +39 045 8801522 - Fax +39 045 8801302
www.dellas.it - email: info@dellas.it
dellas@postacerta.net
Skype: dellasdiamondtools

The energy we consume is certified



EKOenergy

An aerial photograph of a complex multi-level highway interchange, overlaid with a semi-transparent blue filter. The roads are marked with white dashed lines and arrows. Several cars are visible on the roads. The text "Q & A session" is centered in white, bold, sans-serif font.

Q & A session



THANK YOU!

INTEGRATED REPORTING <IR>