

International Sustainability Reporting
Board
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Our ref: RJ-ISSB 510
Direct dial: Tel.: (+31) 20 301 039
Date: Amsterdam, 29 July 2022
Re: Comments on Exposure Draft IFRS S1 'General Requirements for Disclosure of Sustainability-related Financial Information' and Exposure Draft IFRS S2 'Climate-related Disclosures'.

Dear Emmanuel,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to provide a response to the publication of the exposure draft standards IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Disclosure) and IFRS S2 (Climate-related Disclosures).

The DASB welcomes the ISSB efforts to prepare these standards and wishes to compliment the ISSB on the exposure drafts delivered. The DASB strongly believes that globally accepted, transparent and meaningful sustainability reporting can contribute to accelerating the transition to a sustainable economy and we appreciate the topics covered in the two exposure drafts.

Please find below our general comments. More detailed feedback has been given in the survey tool.

1) The DASB strongly supports the ISSB objectives

The DASB strongly supports the initiative of the IFRS Foundation and the establishment of the International Sustainability Standards Board (ISSB) to develop globally accepted standards for sustainability reporting that can be adopted worldwide. We think that global alignment of reporting standards for sustainability topics is crucial to provide a comprehensive view of a company's sustainability performance. A single set of standards reduces reporting costs of preparers while these allow preparers to build public trust through greater transparency of their sustainability initiatives. Importantly, they should result in comparability of results which is essential for the usefulness of information by the users of the information.

High-quality standards should be based on the principles of usefulness, legitimacy, independence, transparency, public accountability, and a thorough, well-governed, and evidence-based due process.

Next, the stakeholder engagement and due process must be inclusive and allow for timely and high-quality input from the business community to ensure that the sustainability reporting standards are implementable for the preparers and at the same time meaningful for users (e.g. investors).

The DASB is very positive on standard S1, however, we reserve a possibility that with publication of contents of other standards and seeing the entire structure, we might have further feedback. Although we support the phased

approach to the IFRS S Exposure Drafts with the climate focus, an outline of the entire reporting framework would be an important and welcome insight, since other sustainability matters e.g. in social area, are no less essential to understanding an entity's performance.

2) International alignment is key to success

The ISSB decided to build upon existing standards and frameworks in the two exposure drafts, which leverages the experience gained with those standards and frameworks and allows for the continued application of well-established and widely used metrics and standards. Since there are already various good quality and generally accepted standards and frameworks, we support the efforts to align these different solutions and combine them into a **set of global and consistent standards**.

We appreciate the collaboration between the ISSB and GRI but encourage you to align as much as possible with the **European Sustainability Reporting Standards (ESRS)**, also considering the guidance from Commissioner McGuinness of using international references "to the extent possible" which might provide an opportunity to align the standards as much as possible.

3) Interoperability and coherence with national standard setters

The ISSB already started its engagement with national/regional standard setters and regulators and we encourage you to continue this process to make the ISSB sustainability standards *the* (global) standards in all relevant jurisdictions. Even if in certain countries/regions there are additional add-ons, it would be crucial that the ISSB is the main starting point as part of a building block approach.

In this process, we also ask the ISSB to consider the approach to sustainability reporting for globally operating entities, so that group companies prepare consolidated sustainability information where their subsidiaries located in various countries are not required to report separately under local jurisdictions and different reporting frameworks.

A failure to do so by all parties involved will result in incremental reporting and associated costs, and decreased transparency for users.

4) Concepts and definitions

We would like to make the following comments:

- (a) We noted that in IFRS S1 and S2 you focus on **financial materiality** (from an investor's perspective), whereas the EU CSRD and ESRS apply double materiality taking into account more stakeholders. One could wonder if in the near future also "impact materiality", the impact of a company on society will not be monetized. The impact on society is increasingly of interest to investors. Therefore, we ask you to consider alignment with the EU CSRD and ESRS in respect of applying double materiality.

Should this not be possible, we suggest you align at least the impact identification and assessment process with the EU CSRD and ESRS. Next, we would like to stress that preparers should only be required to report material information about the significant sustainability-related risks and opportunities to which they are exposed.

The focus placed on **investors as the primary users** of sustainability information gives, in our view, a limited view of the relevance that sustainability reporting could have for the decision making of a broader group of stakeholders. In analogy of the International Integrated Reporting Framework, this broader stakeholder group could consist of the providers of financial capital and others (i.e. stakeholders and society at large).

- (b) We encourage the ISSB to further align with national standard-setters and jurisdictions on **globally identical and recognized definitions for the same concepts**. We noted that concepts like "value chain" (relevant in

the S2 standard) should be consistently defined on a global level to ensure interoperability. The DASB recommends to clearly define the boundaries of the value chain. Quantitative reporting on data outside the control of an undertaking is currently challenging, where a clear scope definition and guidelines could mitigate the risk of disclosing the data that cannot be verified and is not comparable. In today's economy with complex global supply chains, in the absence of required capacities to be used for reliable measurement, the value chain disclosures include a significant number of estimates and extrapolations. Further, it will be challenging for entities to report on the whole value chain as smaller suppliers might not be equipped to deliver the required information.

- (c) To enhance comparability of data of companies in the same industry, we recommend to clarify the industry-specific guidance and requirements. Sector-specific guidance from SASB needs to be amended for the areas, which are not suitable for international context, and it would be useful to **refer to existing standards and metrics for the respective specific industry**. For example, when calculating emissions in an industry, we propose to use industry specific standards as a reference.
- (d) We would like to stress that the disclosure requirements as set out by the IFRS S1 and S2 should not oblige preparers to report on **sensitive and confidential information** that could be used by competitors to reverse strategic decisions, get deep insights into the company's strategy or gain a direct competitive advantage.

The DASB would also like to highlight that reporting requirements on **forward-looking information** (for example based on a variety of scenarios) should be included in a proportionate way as they can also be competitor sensitive and are difficult to verify and audit.

We hope our suggestions are clear and please feel free to contact us if you wish to discuss the contents of this letter.

On behalf of the DASB and Olga Smirnova and Simon Braaksma as co-chairs of the DASB WG Sustainability Reporting.

Yours sincerely,

Gerard van Santen
Chairman Dutch Accounting Standards Board