

## **Questionnaire for Public Feedback: ESRS Set 1 Revision**

### **SECTION 1 – PARTICIPANT GENERAL INFORMATION**

**Name of organisation:\***

Dutch Accounting Standards Board (DASB)

**Type of organisation (Drop down menu with the following categories):\***

(X ) National Standard Setter

**Function in the organisation:\***

**Country (principal location):\***

The Netherlands

### **SECTION 2 – GENERAL ASSESSMENT (OPTIONAL)**

As preparer/user/other stakeholder, could you share your overall assessment about the implementation challenges and benefits that you have experienced or observed?

The Dutch Accounting Standards Board (DASB) supports application of sustainability reporting standards that ensure high quality, consistent and comparable reporting. The DASB favours efficient reporting requirements that result in relevant and purposeful information for stakeholders, that are user-friendly and proportionate both in cost of application as well as in practical use. Interoperability of ESRS with other frameworks supports consistency and comparability of reporting which contributes to the quality of reporting.

The DASB is of the opinion that both implementation and simplification of ESRS could benefit from further enhancing the international alignment. The DASB is very much in favour of an international approach to sustainability reporting, also considering the fact that many undertakings are not merely acting in a local, regional or European environment. The Omnibus-proposed adjustments to the CSRD/ESRS provide an opportunity to (further) strengthen the international alignment (interoperability) of sustainability reporting, for example with the developments regarding the ISSB reporting framework. The DASB is aware of the difference in backgrounds as well as the EU thought leadership and EU legislation in this respect, but we would like to emphasize the utmost importance of EU-requirements which are compatible/interoperable with international (ISSB) developments. For instance, the EU-framework's impact (double) materiality perspective could enhance the ISSB-framework's (single) financial materiality perspective.

## **SECTION 3 – QUESTIONS 1.**

[Section 3, part 1 and 2 cannot be answered by DASB]

### **PART 1 – HOW TO IMPROVE THE MATERIALITY ASSESSMENT**

- 1.1. From your perspective (preparer/user/others), please share your suggestions on how to improve the ESRS provisions on materiality indicating the most critical and the most useful elements, in relation to\* [SCROLLING MENU +MULTIPLE CHOICES]:

How to improve the ESRS provisions on materiality, in relation to:

- ( ) - the definition of material impacts, risks and opportunities (IROs) under double materiality assessment
- ( ) - the process to determine material matters, including how to factor implemented mitigation and prevention actions in the materiality assessment and how to define thresholds striking the right balance between completeness and decision-usefulness of information.
- ( ) - the process to determine material information to be reported (information materiality, ESRS 1 – paragraph 31 and 34)
- ( ) - the disclosures related to the process according to IRO-1
- ( ) - the disclosures related to the outcome of the process (SBM 3)
- ( ) - the inclusion of material information based on entity-specific disclosures
- ( ) - the challenges related to the audit of the double materiality assessment (process and outcome)
- ( ) - the value chain
- ( ) - the aggregation/disaggregation of information ( ) - other (open a box to specify).

- 1.2. OPTIONAL: If possible, and if not specified already under point 1.1 above, please identify the narrative disclosure requirements (DRs) or datapoints (DPs) that raised the most critical challenges in determining the material information to be reported and share your suggestions.

### **PART 2: HOW TO STREAMLINE NARRATIVE INFORMATION**

- 2.1. From your perspective (preparer/user/other), please share your suggestions on how to simplify narrative information, in relation to:\* [SCROLLING MENU WITH SUBSECTIONS +MULTIPLE CHOICES]

The options to reduce the number of “shall” datapoints (DPs):

- ☐ Deleting datapoints that are not critical
- ☐ Merging datapoints (with an indication of its effectiveness for burden reduction purposes)
- ☐ Transferring “shall” datapoints to non-mandatory material (“May“, guidance, illustrative examples)
- ☐ Other – please specify.

The potential overlaps between minimum disclosures requirements (MDRs) on Policies Actions and Targets (PATs) that are located in ESRS 2 and PAT “shall” datapoints located in topical standards:\* [SCROLLING MENU WITH SUBSECTIONS +MULTIPLE CHOICES]  
Please select:

- ☐ Simplifying MDRs on policies in ESRS 2
- ☐ Simplifying MDRs on actions in ESRS 2
- ☐ Simplifying MDRs on targets in ESRS 2
- ☐ Merging MDR of ESRS 2 with “shall“ PAT datapoints of topical standards
- ☐ Transferring “shall“ PAT datapoints in topical standards to non-mandatory material (“May“, guidance, illustrative examples)
- ☐ Other – please specify

2.2. OPTIONAL – If possible, and if not specified already under point 2.1 Please identify the most critical narrative disclosure requirements and/or datapoints that require clarification, and share your suggestions

Please organise your comments and suggestions according to the sequence of the standards (cross-cutting, E topical, S topical, G topical:

2.3. OPTIONAL If possible, and if not specified already under point 2.1 above, please beyond the need for clarification, identify the 10 most challenging narrative disclosure requirements (DRs) with an indication of the least important or most problematic datapoints (DPs) to prepare and share your suggestions:

Please organise your comments and suggestions according to the sequence of the standards (cross-cutting, E topical, S topical, G topical:

### **PART 3: HOW TO IMPROVE QUANTITATIVE INFORMATION AND EU REGULATION RELATED INFORMATION**

3.1. Please identify the most challenging quantitative DRs/DPs and share your suggestion on how to address the issue, in terms of:

- The relevance (least important, critical)
- The difficulty to prepare
- The need for clarification

#### **3.2. Do you have suggestions regarding EU regulation related datapoints (DPs)?**

*Align with sustainable finance framework*

The current CSRD and ESRS (set 1) are (closely) related to other EU-legislation such as the Sustainable Finance Disclosure Regulation (SFDR) and EU Taxonomy Regulation. For instance, several ESRS reporting requirements originate from the SFDR. The Omnibus proposals do not contain any simplification proposals for the SFDR, which might create the risk of reporting differences, less accessible reporting or an increased administrative burden. Moreover, the (proposed) EU Taxonomy Regulation changes should also be combined with similar simplifications in the SFDR. In conclusion, we believe the level playing field within the EU could be enhanced by comparable legislative adjustment proposals for the financial sector to increase coherence within the overall sustainable finance framework.

3.3. Do you have suggestions regarding Article 8 of the Environmental Taxonomy Regulation 2020/852 related information and its inclusion in the sustainability statement under a placeholder approach?

### **PART 4: HOW TO ADDRESS THE SIMPLIFICATION OF THE STANDARDS (STRUCTURE AND PRESENTATION) AND THE NEED FOR INTEROPERABILITY**

4.1. Please share your suggestions on how to improve and simplify the current structure and presentation of the standards, in relation to: \*

Please select:

- ( ) The relationship between cross-cutting and topical standards
- ( ) The relationship between the main body of the standards and the application requirements

## **(X) Any other matter**

### *Guidance for simplification of ESRS (set 1) required*

The Omnibus-proposals contain the intention for simplification of the first set of ESRS by adjusting the delegated act (ESRS). According to the Omnibus-proposal the revision of the ESRS should “substantially reduce the number of datapoints by (i) removing those deemed least important for general purpose sustainability reporting, (ii) prioritising quantitative datapoints over narrative text and (iii) further distinguishing between mandatory and voluntary datapoints [...]” We believe that these three focus points for simplification of the ESRS fall short as a means to reach the overall goal of this simplification. Apart from these focus points a more substantiated perspective for this simplification process is needed. Hereafter, we provide some suggestions which could be taken into account during the simplification process.

### *Incorporate practical experience wave 1 in simplification process*

The DASB supports the postponement of the entry into force of the CSRD requirements for the so-called wave 2 and 3 undertakings. By stopping the clock, the legislator as well as these undertakings, mostly first-time sustainability reporters, will have the opportunity to learn from the actual experiences and sustainability reports prepared by wave 1 undertakings, and immediately benefit from the simplifications of the requirements. For EFRAG as technical advisor we believe it should be clear that incorporating the practical experience of the wave 1 undertakings, assurance providers and users is an essential element of the process. This will most likely take more time for consultation and processing feedback, also because the so-called ‘wave 1 reporting’ is still largely in progress, but it seems essential for a proper outcome. We stress that the simplification exercise should not just be a matter of deleting certain specific datapoints, but may also require to rethink certain approaches and learn from practical experience, based on application of ESRS (set 1), especially relating to ESRS 1 and 2.

### *Draw on practical experience including field testing*

Since many of the requirements for sustainability reporting are new, we believe that it is critical that (any changes to) the current CSRD and ESRS (set 1) disclosure requirements are actually tested in practice through field testing. Only, when actually applying these reporting standards and their disclosure requirements it becomes clear how certain requirements actually work (out) in practice and whether they provide relevant as well as useful information at an appropriate cost/benefit. The experiences of the first sustainability reporting by wave 1 undertakings, their assurance providers and the users of these sustainability reports should be included in the adjustment process.

### *Engage with a broad range of stakeholders*

It is important that EFRAG will be able to collect and subsequently process the received feedback from stakeholders to enable an adequate ESRS simplification process. This feedback should be collected from the wave 1 undertakings, from assurance providers and from actual users of sustainability reports..

### *Consultation process with appropriate timelines*

In our view appropriate consultation processes are critical in the development of high-quality sustainability reporting standards. Next to engaging with stakeholders also a public consultation is essential. Not only the consultation period should be sufficient but also EFRAG, respectively the European Commission, will need sufficient time to actually process the consultation feedback received.

Please share any suggestion you may have to enhance the already high level of interoperability of ESRS with other frameworks (ISSB, GRI, TCFD, TNFD, CDP). Please indicate DR/DPs if relevant

### *ISSB framework as starting point for a ‘building-block’ approach*

The DASB suggests to use a ‘building- block’ approach, maybe not in the short term but at least in the medium term, in which international/global standards will be used as a starting point that are subsequently complemented by specific EU-requirements to enhance interoperability by design. An example where the DASB feels a building block approach could be considered is the ISSB-framework’s (single) financial materiality perspective as a basis to be subsequently complemented with the EU-framework’s impact (double) materiality perspective. This could for example be achieved by investigating whether IFRS SDS 1 could be used as the first building block, which should then be enriched with impact materiality requirements as the second building block.

### *Periodic evaluation*

The international alignment could benefit from a periodical evaluation of the CSRD and the ESRS in light of any international developments. For instance, by a specific requirement, either in the EU standard setting process or delegated acts, that subsequent decisions or steps can be taken only after certain conditions have been met and are not contrary to (equivalent) international developments. We strongly believe that a phased approach, with periodic moments for subsequent decisions on the way forward, would be beneficial for all stakeholders involved.

**If you are a user/other type of stakeholder. Share your views on the importance and usefulness of interoperability from your perspective:**

The DASB is very much in favour of an international approach to sustainability reporting, also considering the fact that many undertakings are not merely acting in a local, regional or European environment. The Omnibus-proposed adjustments to the CSRD/ESRS provides an opportunity to (further) strengthen the international alignment (interoperability) of sustainability reporting, for example with the developments regarding the ISSB reporting framework. The DASB is aware of the difference in backgrounds as well as the EU thought leadership and EU legislation in this respect, but we would like to emphasize the utmost importance of EU-requirements which are compatible/interoperable with international (ISSB) developments. For instance, the EU-framework's impact (double) materiality perspective could enhance the ISSB-framework's (single) financial materiality perspective.

#### **PART 5 – ANY OTHER COMMENT OR SUGGESTION**

##### *Limiting trickle-down effect*

The reporting under the VSME-ESRS will be at SME-entity level, however this does not necessarily provide the relevant information for other parties in the value chain if they need information on a transaction level (for example in light of their scope 3 reporting needs). As a result, our concern is that when a 'one size fits all' value chain cap is established the respective information may not be appropriate either for companies in scope of the CSRD (i.e. to prepare their value chain information) or for the respective SME itself. To limit the trickle-down effect we believe that providing further guidance, for the undertakings in scope of the CSRD, on the circumstances in which the use of estimates or proxies would be sufficient, instead of collecting all information at the level of separate individual (smaller) entities. Additionally, generally the 80/20-rule may be applied, in the sense that 20% of the value chain partners will often reflect more than 80% of the required value chain information, meaning that it may not be necessary for the sustainability reporter to also approach the other 80% (smaller) partners for detailed information on every single material topic.