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FEEDBACK STATEMENT

The **Dutch Accounting Standards Board (DASB) / Raad voor de Jaarverslaggeving (RJ)** welcomes the opportunity to provide some general feedback on the proposal for the EU Corporate Sustainability Reporting Directive (CSRD).

Positive development

The DASB is in general very positive about this important CSRD-proposal requiring corporate sustainability reporting. The DASB understands and supports the need and urgency of this development. The DASB emphasizes that the implementation and time-line of the CSRD-proposal is very ambitious and believes that the resulting risks thereof should be mitigated by a more phased approach with related separate decision moments.

Specific suggestions

In light of the above the DASB would like to provide some suggestions about the following aspects of the CSRD-proposal: 1) timing, scope and content, 2) international/global convergence, 3) EU-standard setting process and 4) limited assurance and digitalization. This will be elaborated hereinafter.

1) Timing, scope and content

The DASB is in favor of corporate sustainability reporting and understands the EU policy choice to embed these in the management board report. This can be regarded as a logical next step in corporate reporting and follow up of the current obligations of the EU NFI-Directive (2014). This EU NFI-Directive requires NFI-reporting by large (500+ employee) public interest entities (PIEs), whereas the CSRD-proposal also requires all large non-listed companies (as defined in the EU Accounting Directive) to prepare and publish a sustainability report. From a sustainability and multi-stakeholder perspective this broader scope seems justified, also considering the number and possible impact of large non-listed companies. However, the DASB draws attention to the fact that, unlike large PIEs, currently large non-listed companies generally lack any experience with such sustainability reporting. Moreover, see hereafter, the new standards for this sustainability reporting are yet to be developed. Therefore the DASB would recommend to include certain phases, including specific decision moments, in the final CSRD. For instance, it would be preferable to first start with mandatory

sustainability reporting by listed companies (and other PIEs) and subsequently require sustainability reporting by large non-listed companies, when already some practical experiences have been gained. Additionally, the DASB suggests to consider whether certain exemptions should be granted to non-listed companies, considering differences from the investor perspective and -needs, similar to those exemptions for financial reporting.

The DASB understands the urgency for this sustainability reporting, but sees some important risks in the timing mentioned in the CSRD-proposal. The proposed legislation including standards should be developed and finalized in 2022 with mandatory application as of 2023, which is very ambitious and may not be realistic. In this respect the DASB points at critical differences with the previous introduction of an EU reporting framework. When mandatory use of EU endorsed IAS/IFRS by listed companies was introduced, i) those standards were already developed and voluntarily used, ii) the listed companies had sufficient time to prepare for mandatory use and iii) all stakeholders were acquainted with the audit requirement for financial statements. Apart from the current lack of standards for and experience with sustainability reporting, there is also a lack of experience with the proposed limited assurance thereof (see hereafter).

The scope of the CSRD-proposal also includes a requirement to provide information on “intangibles: intellectual, human, social and relational capital”. The DASB emphasizes that any such information is much more suitable and appropriate to be included in the management board report instead of the sustainability report.

2) International/global convergence

The DASB is very much in favor of an international/global approach, also considering the fact that many companies and businesses are not merely acting in a local or regional environment. It would be essential that the CSRD will not impair any international developments or that it might even hinder the necessary global level playing field. For instance, the initiatives announced by the IFRS-foundation are much related to an investors perspective (capital markets) also considering materiality, whereas the CSRD-proposal focusses on a multi-stakeholder perspective including so-called double materiality. The DASB is aware of the difference in backgrounds as well as the EU thought leadership in this respect, but would like to emphasize the utmost importance of EU-requirements which are compatible with international developments. The DASB suggests to use a building block approach, for instance to use (announced) international/global standards as a starting point which will be complemented by specific EU-requirements in those areas where the EU considers additional information necessary. The latter due to the double materiality point of view or more in-depth information requirements. The DASB considers it important to periodically evaluate the CSRD as well as EU sustainability standards time-sequential in light of international developments. For instance by a specific requirement, either in delegated acts or in the standard setting process (see hereafter), that separate decisions or subsequent steps are to be taken only after certain conditions have been met and will not be contrary to equivalent international developments.

3) EU standard setting process

The DASB welcomes the ambition to develop sustainability standards in the EU and is in favor of a specific role for EFRAG as mentioned in CSRD-proposal, but emphasizes that EFRAG currently has no standards setting tasks or experience. This implies the governance of EFRAG should be adjusted, including a due process for standard setting. Considering the importance and urgency of the task at hand, this due process will be crucial. Currently several standard setters, including DASB, are involved in EFRAG due processes regarding (international) financial reporting/endorsement, which is equally important for developing and promoting sustainability standards. On the one hand the DASB welcomes an EU-wide consistent approach, by delegated acts, to avoid diversity or ‘gold-plating’ by local add-on. On the other hand the well-established and proven track record of (international and national) standard setters should be used to prevent inconsistency or even information overload.

4) Limited assurance and digitalization

The CSRD-proposal requires limited assurance of the sustainability report. Given our role as accounting standard setter, the DASB is unable to comment on aspects of assurance standards or assurance providers. However, the DASB considers the proposed reporting of forward-looking information unlikely or at least challenging in combination with assurance. The DASB would like to stress that it is important that users and stakeholders will understand the (level of) assurance and interconnectivity of corporate reporting. For instance, when the sustainability report becomes part of the management board report (MBR) this specific part of the MBR will become subject to limited assurance, whereas other parts of the MBR will not. Also because financial statements are subject to reasonable assurance, this may create the risk that the level of integration of corporate reporting would decrease or might lead to duplication of information. The coherence between and integration of all parts of corporate reporting is important for all users and stakeholders concerned. The timing of mandatory limited assurance should be well considered, also considering implementation risks.

The CSRD-proposal also includes digitalization and easy access (ESAP) of sustainability reports. The DASB understands the proposal is to use tagging and a taxonomy more or less in the same way as should be applied for (parts of) financial statements of listed companies (ESEF-RTS). The latter is, as the DASB understands, a relatively complex architecture, preferably a less complex or innovative alternative should be used or developed. The technical developments might provide a more simple or effective solution, as long as stakeholders would be able to derive their required information.

We hope this feedback is of any assistance, the DASB is obviously available to explain its views in more detail.