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Our ref: RJ-EFRAG 610 A
Date: Amsterdam, 15 September 2021
Subject: EFRAG Due Process Procedures for EU Sustainability Reporting Standard-setting

Dear Jean-Paul,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to EFRAG's Public Consultation Paper Due Process Procedures for EU Sustainability Reporting Standard-setting (hereafter: CP). The DASB wants to emphasize that the due process procedures described in the CP are based on the earlier proposed new governance structure of EFRAG, which new governance structure is not discussed in this CP and not finalized yet. The DASB's observations stated below must be seen in this context and may be reconsidered in case of alterations to the (final) EFRAG governance.

The DASB concurs with the objectives described in Chapter 1 of the CP. The proposed procedures, regarding EFRAG's role as technical advisor to the European Commission in preparation of the draft EU Sustainability Reporting Standards (ESRS), will fulfil the requirements of a proper due process. The proposed review of this due process on a regular basis is important, also considering the (expected) developments regarding ESRS and the wider (global) standard-setting environment. The DASB wants to emphasize the importance of connectivity between financial- and sustainable- as well as international (global) sustainability standard setting. We suggest to embed this interconnectivity in (international) corporate reporting standard setting explicitly in the due process, for instance in the standard-setting process described in Chapter 5 of the CP.

The DASB considers the principles addressed in the due process, mentioned in the CP in Chapter 2, to be adequate. Transparency and public consultation with stakeholders on EFRAG's (draft) technical advice, in an open and timely manner, is a fundamental precondition for standard-setting. In this respect DASB considers publicly available information important, in case of any decision not to publish certain agenda papers (par. 2.12) it should be considered for the (new) EFRAG Administrative Board to play a particular role. In Chapter 3 of the CP regarding due process oversight is stated (par. 3.1) that the (new) EFRAG Administrative Board may decide to establish a Committee in charge of the oversight of the due process (DPC). We believe that the wording of this section could be more clear to first clearly describe the responsibilities and tasks of an Administrative Board and subsequently describe which tasks may be delegated to a DPC. The DASB is of the opinion that the role of a DPC and/or EFRAG Administrative Board, which relates to the abovementioned new governance structure, should not lead to duplication of tasks, responsibilities or even 'administrative overload'.

The agenda-setting process, including defining of the work plan, as described in Chapter 4 of the CP appears to be fully in line with the proposals for the EU CSRD. A public agenda consultation on EFRAG's activities and work plan every three years (par. 4.5) is appropriate. The DASB is of the opinion that the proposed pro-active activities and research programme (par. 4.9) is useful, considering the major importance of (EFRAG/EU) influence on the development of global sustainability reporting standards.

The DASB considers the mandatory due process steps, as mentioned in Chapter 5 of the CP (par. 5.1), to be adequate. The DASB noted that in exceptional situations the proposed comment period of usually 120 days may be reduced to 60 days. However, given the importance and impact of the development of the (initial) ESRS, which development according to the (time-)schedule of the EU-CSRD starts in the current interim period (see hereafter), we consider a consultation comment period of at least 120 days to be required.

The DASB welcomes that EFRAG will provide its technical advice to the European Commission in the form of a proposal of fully prepared draft standards and/or amendments to ESRS, complete with a bases for conclusions, impact analysis and accompanied by proposed digital guidance (par. 5.31). Although it was noted to be unclear what will happen in the situation that EFRAG SRB will be unable to reach consensus and/or decides to adjust TEG-advice? This should be addressed in the due process. The same goes for the (probably unexpected) situation that the European Commission (partly) disagrees with EFRAG's technical advice. This also because (page 20) the possibility is described that an agreement cannot be reached (between EFRAG SRB and EFRAG SR TEG), while such situation is not described (par. 5.17-18) where the ultimate authority rests with EFRAG SRB. Also it was noted that current reporting standard-setters have experience with impact assessments, but given the multi-stakeholder environment of sustainability standard-setting [including double materiality] the proposed impact analysis (par. 2.21-24) is considered to be both innovative and challenging.

Overall the DASB considers the proposed due process to be appropriate and very important. In this respect the DASB wants to emphasize that the CP, under the heading Public Consultation (page 4), states that the due process procedures "to the extent possible and practicable [will] be applied as well to the interim technical work". The DASB understands this interim work refers to the request of European Commission(er) to EFRAG to start as soon as possible with the proposals of, i.e. continuation or expansion of, the Project Task Force (PTF). However, the DASB urges that the full due process must be applied to this interim work too, also by the PTF. This due process is fundamental to ensure proper standard-setting procedures, also in the period before EFRAG's revised governance structure for sustainability reporting standards activity will be finalised.

The DASB points at the fact that (page 4) during the interim period consultation with national authorities, national standard setters and sustainability reporting standard setters will take place. Although the DASB considers unclear what is meant by national authorities, it expects consultation of national standard setters to be also part of the final due process (par. 5.1 and 5.10) and of the EFRAG SR Consultative Forum, similar to the current EFRAG CFSS. The Consultative Forum (page 20) only refers to national authorities and sustainability reporting standard setters, while we believe this should contain national standard setters more broadly.

Overall, the DASB again wants to emphasize the importance of interconnectivity between the activities of

EFRAG's FR- and SR Board. The system of corporate reporting must be coherent and practical, not only from the users/stakeholders perspective but also the legal perspective.

Yours sincerely,

Gerard van Santen
Chairman Dutch Accounting Standards Board