



By e-mail: martijn.bos@eumedion.nl

Mr Martijn Bos
Stichting Eumedion
Zuid-Hollandlaan 7
2596 AL Den Haag

The Hague, 29 January 2020

Our reference: 2020051

Re: *Green paper Towards a global standard setter non-financial reporting*

Dear Martijn

I take pleasure in responding to your invitation to react to Eumedion's Green paper of 30 October 2019 broaching creating a global standard setter for non-financial reporting. This is also further to the constructive meeting we had at VEB on 18 December 2019, in which you expounded on the background and contents of the said Green paper.

No different than Eumedion, we are concerned indeed about the information deficit as regards nonfinancial information, relating to ESG issues. We entirely concur that, in the prevailing environment, investors require pertinent information on material non-financial information. A requirement which is manifest in consequence of the fact that investors are no longer satisfied that financial performance alone underpins (economically) sustainable business.

Thus, in principle we support your approach; we too are of the view that the best path to arriving at the desired objective is a resort to a 'regulatory' solution. Equally, we support your outspoken preference for accommodating the new independent standard setter under the IFRS Foundation (rather than, say, the SASB Foundation Board – it being almost exclusively US-focused). There is yet another reason for what may be styled as an EU-bias. As is manifest through EU Directive 2014/95 on Non-Financial Information – nothing like it even being contemplated in the US – the EU has a head-start.



There remains, however, a gnawing concern. We are convinced that everything possible ought to be considered to seek a 'fast-lane' to cause businesses turning around strategies and activities alike in order responsibly and adequately to adapt to climate change. Realistically, as it stands, carbon reporting may be institutionalised ahead of any anything else, thus, importantly, also ahead of the coming into being of the standard setter with a comprehensive remit as regards non-financial reporting standards. The main rationale for this is that losing sight of the single most important priority, risks delaying it.

And it is here that we are tempted to point to the existing political and institutional framework for making carbon reporting mandatory. The EU has the will and the statutory authority, and while it does not have expertise in setting accounting standards, nor credibility with investors in that regard, it can achieve both by partnering with the International Financial Reporting Standards (IFRS) Foundation. This is the very same partnership that led rapidly to global financial accounting standards. With modest increment to IFRS structure and funding, it could lead equally well - and even more rapidly - to a global standard for the reporting of carbon emissions.

It may be clear that you may count on our support in principle, but that we should be especially enthused if we were to find ways of combining such efforts as may flow from your initiative with the pressing need for getting carbon reporting – legislatively accommodated within the EU legislative framework – up and running.

We hold ourselves available for further engagement on all matters concerning reporting standards and we welcome any opportunities for joining in these efforts.

Kind regards

VEB

A handwritten signature in blue ink, appearing to be 'P.M. Koster', written in a cursive style.

P.M. Koster