



THE PROPOSAL FOR A CORPORATE SUSTAINABILITY REPORTING DIRECTIVE

SUMMARY OF EUMEDION'S KEY MESSAGES

In our 2020 position paper 'Towards a global, investor focused standard setter for corporate non-financial reporting', Eumedion¹ advocated the establishment of an International Sustainability Standards Board (ISSB) under the auspices of the IFRS Foundation with the aim to develop high-quality international sustainability reporting standards (ISRS). Institutional investors have an inherent interest in sustainability information that is reported by companies in a consistent, comparable and reliable manner across markets. This information is key in understanding the long-term value creation capacity of the investee companies and is as such material to investors' decisions. It is from this perspective that Eumedion would like to reflect on the European Commission's proposal for a Sustainability Reporting Directive ('Proposed Directive'), as published on 21 April 2021.

1. Global reporting standards where possible, additional European reporting standards where needed

We currently face global issues and risks such as climate change, biodiversity loss, growing income inequality and unequal opportunities for certain social groups. The European Union (EU) cannot solve these global issues by itself. It is also important for the EU that the rest of the world is involved and gets on board. That is why there is a strong case for global cooperation, also in the field of setting sustainability reporting standards. While Eumedion acknowledges the EU's leadership role in developing a robust framework for sustainable finance and by taking the initiative for preparing European sustainability reporting standards, we urge the EU institutions to publicly commit themselves to working towards international standardisation and global consistency via the IFRS Foundation. **This should be reflected in recital 37 of the Proposed Directive and in the proposed art. 19b of the Accounting Directive².** As there may be a timing mismatch between the EU's need for sustainability reporting standards and the issuance of the first ISRS by the IFRS Foundation we see a need for a swift establishment of a European sustainability reporting standards setter and agree with EFRAG taking up this role. In our view the European standard setter should not "reinvent the wheel" and should therefore build as much as possible on existing international sustainability reporting frameworks, should

¹ Eumedion represents the interests of more than 50 Dutch and non-Dutch institutional investors with a long-term investment horizon and investment portfolios amounting to more than € 8 trillion.

² Directive 2013/34/EU.

accommodate the information needs of financial market participants stemming from EU legislation in the field of sustainable finance, and should have a well-established non-politicised, independent due process. **We therefore support the contents of the proposed art. 19b par. 3 of the Accounting Directive, but we believe that the notion of the importance of an independent due process should be reflected in the proposed art. 49 par. 3a of the Accounting Directive.**

From the moment onwards that the IFRS Foundation has established the ISSB and has issued a first mature set of ISRS, we believe that the EU should follow the principle 'global reporting standards where possible, additional European reporting standards where needed'. This implies that after the first 3-year evaluation moment mentioned in the proposed art. 19b par. 1 of the Accounting Directive, the European sustainability reporting standards should be complementary to the ISRS and should only reflect EU-specific policy objectives in the area of sustainability stemming from specific EU legislation and policies. ISRS when issued should replace overlapping European sustainability reporting standards through an endorsement process.

2. Support for broad scope of sustainability reporting standards

It is important to set standards for *all* sustainability information that is material for investors in assessing sustainability risks and performance, together with the narrative that explains the company's ability to create long-term value for all of its key stakeholders. Only with developing reporting standards on environmental, social *and* governance topics, investors and other stakeholders will get a complete depiction of the company's sustainability risks and opportunities, how these are managed, the relevant performance metrics and the company's impact on all relevant stakeholders, including the wider society and environment. **We therefore very much concur with the proposed art. 19a/29a par. 1 and 2 and the proposed art. 19b par. 2 of the Accounting Directive.**

3. Assurance on reported sustainability information will enhance reliability of that information

The quality and reliability of sustainability information relies as much on proper reporting standards as on a proper audit process. We therefore support the requirement that at least limited assurance should be provided on the reported sustainability information in conformity with the sustainability reporting standards. However, we opine that reasonable assurance should be provided on the specific sustainability targets and indicators that need to be disclosed under the sustainability reporting standards. **This should be added to the proposed point aa of art. 34 par.1, subpar. 2 of the Accounting Directive.** This would enhance the quality and reliability of the reported sustainability information.

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