

To the Secretariat of EFRAG
Brussels, Belgium

Submitted electronically

The Hague, 8 September 2021

Ref: B21.22

Subject: Consultation Paper Due Process for EU Sustainability Reporting Standard-Setting

Dear Sir/Madam,

Eumedion appreciates the opportunity to respond to EFRAG's public consultation paper regarding the due process procedures for the EU sustainability reporting standard-setting. Eumedion is the dedicated representative of the interests of 53 institutional investors, all committed to a long term investment horizon. Eumedion aims to promote good corporate governance and sustainability in the companies our participants invest in. Together our participants invest over € 6 trillion of capital in equity and corporate non-equity instruments.

As is the case with financial reporting standards, strong due process procedures are of critical importance to the development of high-quality sustainability reporting standards. Eumedion is of the opinion that these due process procedures need to be thorough, inclusive and transparent. In our view, the consultation paper presents a good starting point for further developing such strong due process procedures. In this comment letter, there are several issues to which we would like to draw your attention.

First of all, we would like to point out that the due process procedures as proposed in the consultation paper are throughout intertwined with the, still to be established, new structure and governance of the EFRAG organisation. The consultation document is not always sufficiently precise on matters regarding final authority and the internal decision (and voting) procedures of (new) governance bodies in relation to the due process procedures, for example when a difference of opinion occurs between the Sustainability Reporting Board and the Technical Expert Group before submitting the advice to the European Commission (see paragraphs 5.17-18 and page 20). In light of these

dependencies, we would like to urge EFRAG to further clarify the relevant aspects of the (proposed) governance and structure to the extent necessary for stakeholders to understand and assess the exact workings of the due process procedures, and additionally to duly and to the extent necessary re-evaluate the proposed due process procedures once the structure and governance of the new organisation have been finalised. Similarly, we would like to stress that our comments to the proposed procedures need to be regarded as conditional to the finalisation of the new EFRAG structure and governance.

Our second point regards the establishment of a due process oversight committee. In the consultation paper (paragraph 3.1) the establishment of such a committee is dependent on the decision of the future EFRAG Administrative Board. We are of the opinion that such an oversight committee is critical to a strong due process and should therefore be established unconditionally. The oversight committee should in our view be modelled after the IFRS's Due Process Oversight Committee and be guided by a due process handbook providing all the necessary procedures to be followed and criteria to be met throughout the standard setting process. These criteria should already be applied in full also to the interim work carried out by the EFRAG Project Task Force on European Sustainability Reporting Standards (PTF ESRS). An example of such a procedure would be the assessment - following clear criteria established in the due process handbook - of any request to shorten the usual comment period of 120 days (which in the consultation paper is now tied solely to the approval of the Administrative Board, paragraph 5.1 sub b). We are of the opinion that especially the initial public consultation following the interim work done by the PTF ESRS, which is expected to be extensive and of crucial importance to further development of the European sustainability reporting standards, should not be automatically subject to a shortened consultation period, as is suggested by the consultation paper (page 4).

Thirdly, as per paragraph 5.1 (sub e), a 'Consultative Forum of National Authorities and sustainability reporting standard setters'¹ will be consulted regarding the draft standards, which is listed as one of the mandatory due process steps. We would like to highlight that the paper does *not* clarify the exact nature of this consultation and how the advice of this Forum will be considered. As one of the mandatory steps of the due process, we would expect this to be clarified. Additionally, and especially relevant in light of the interrelation between EFRAG's proposed new structure and the due process procedures, it remains unspecified from which bodies or organisations the members of the Consultative Forum will be drawn. We in any case assume that National Standard Setters in Europe who might elect to be part of the Consultative Forum are explicitly included here, as they are with regard to the EFRAG CFSS (as presented in Appendix 2, page 19).

¹ Elsewhere, this Consultative Forum is described to include as well 'existing global initiatives' (paragraph 5.10 sub c) and 'other players' (Appendix 2, page 20).

Lastly, we have a few additional observations regarding various aspects addressed in the consultation paper. The aspect of interconnectivity with financial reporting is touched upon only briefly as part of a potential work area for the European Lab (page 20). We wonder whether this aspect should not be referred to more explicitly also in terms of a recurring focus point throughout the various steps in the due process. Also, we would like EFRAG to consider to, where possible, gear the due process procedures as well towards sufficient consideration of the aspect of international alignment of sustainability reporting standards and how this aspect has been considered throughout the development of the standards. Finally, we can see merit in adding the option of publicly consulting discussion papers prior to consulting complete exposure drafts of new or revised standards.

If you would like to discuss our views in further detail, please do not hesitate to contact us. Our contact person is Ron Gruijters (ron.gruijters@eumedion.nl, +31 70 2040 305).

Your sincerely,



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