

HLB is the 10th largest global network of independent advisory and accounting firms. We are pleased to provide our comments on the draft Delegated Act below.

1 Commitment to compliance with ISSB Standards

We support alignment between the disclosure requirements proposed by the European Union (EU) on sustainability and the recently issued International Sustainability Standards Board (ISSB). In our view, the success of the ISSB Sustainability Standards and the incoming EFRAG standards will depend on the ease with which preparers can comply. The interoperability between both requirements is key in this respect.

2 Support for guidance on materiality assessment

Preparers and assurance providers will benefit from detailed educational material and application guidance regarding materiality assessments, and we, therefore, welcome EFRAG proposing such materials. It is essential that any guidance provided enables preparers to understand which data they need to collect and report on and assurance providers to understand and validate quickly which materiality concepts have been used.

3 Implementation guidance should be thorough and include disclosure checklists

Significant amounts of application guidance and educational material will be required to ensure we can achieve true comparability of the information provided. The material should include freely available and hands-on material such as case studies and disclosure checklists to assist preparers, assurance providers and users.

4 Electronic tagging

Electronic tagging should be available from the outset and should cover voluntary disclosures. How this can be achieved in practical terms is yet to be established.

5 Transitional provisions should be enhanced and simplified

All transitional provisions need to be simple and easy to understand by all stakeholders. A complex system of varying transitional provisions should be avoided as it will further complicate the introduction of the requirements, which already represents a significant challenge for many smaller entities. All transitional provisions should ideally apply for a period of 3 years.

6 Strengthen public cost-benefit analysis

Considering the effects of COVID-19, it is important that all stakeholders can fully understand the actual cost implications of the proposed implementation of the standards. A publicly available cost-benefit analysis would be highly welcome as it will provide much-needed information.

8 Importance of monitoring implementation and taking follow-up action

In the first years of implementation, regular outreach activities should be organised in order to understand what kind of difficulties entities have encountered during the implementation and reporting process. Based on the output from such consultations, appropriate follow-up action, including providing guidance regarding good practice, should be taken by the European Commission and EFRAG wherever necessary. The ongoing cost and benefits of implementation should also be assessed and made publicly available on an ongoing basis.

9 Ensuring market prepared for limitations of scope and emphases of matter by auditors

The fast implementation of the standards means that many entities in the SME market have no or little experience with the new reporting and assurance standards and do not have adequate systems in place to gather information and data consistently and in the right format.

The incoming assurance obligation implies that we will likely see a high number of modified reports where companies struggle to provide adequate information. While there is keen interest in sustainability reporting, we are not certain that stakeholder groups are necessarily ready to see modified assurance reports. Their response to these reports can potentially have an adverse effect on investment behaviour. The European Commission and EFRAG need to consider managing stakeholder expectations in order to avoid unwanted consequences which can easily arise in the transition period.