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Our ref : RJ-EFRAG 613 C  
Date : 15 November 2021  
Re : EFRAG Draft Comment Letter on IASB Exposure Draft Practice Statement “Management Commentary”

Dear Jean-Paul,

The Dutch Accounting Standards Board (DASB) appreciates the opportunity to respond to the EFRAG Draft Comment Letter on Exposure Draft Practice Statement “Management Commentary” (hereafter ED), that was issued by the International Accounting Standards Board in May 2021.

## 1. General remarks

In our view, the relevance of the current Practice Statement for Management Commentary in Dutch accounting practice is very limited. Dutch company law (section 2:391 Dutch Civil Code) requires management to prepare and file a management board report; the requirements for such a report are further detailed in our DASB standard ‘Management Board Report’(RJ 400). The RJ 400 standard is periodically updated and we will continue to do so whenever new developments arise (for example more focus on non-financial-information, including Environmental, Social & Governance (ESG) information). We expect that when a revised version of the Practice Statement, based on the ED, will be issued by the IASB this will not substantially change current Dutch practice. Also for this reason, we prefer to issue a short and concise response to the ED.

## 2. Answers to questions of IASB

The DASB generally concurs with EFRAG’s views and responses to IASB’s questions in the ED. For some questions, although we agree with EFRAG’s view, we discussed and add some additional remarks and observations, which are expressed in the table below. The answers of the DASB to the questions of EFRAG are discussed in paragraph 3.

Question of IASB		Response of DASB on answers and comments in EFRAG draft comment letter
2	Statement of compliance	We recommend to replace the “Statement of Compliance” by a short “Basis for preparation” note (comparable to IAS 1.112). In our view, such assertions should not evolve to a broad statement (such as an in-control statement).
4	Overall approach	In paragraph 75 of the draft comment letter, EFRAG recommends to address opportunities as a separate content area. The DASB prefers to discuss the opportunities in the Strategy area of content. A list of opportunities is

Question of IASB		Response of DASB on answers and comments in EFRAG draft comment letter
		<p>relevant in the perspective of the company's strategy: which of the opportunities are actively pursued (<i>what</i>) and in which way (<i>how</i>)? However, several risks do not only have a downside but also an upside potential. For such risks, the DASB agrees that these opportunities can be reflected in the risk area of content.</p> <p>In paragraph 66, EFRAG notes that intangibles are not addressed as a separate content element. In our view, reporting on intangibles is not only included in the management commentary, but also in the financial statements and sustainability reports. For this reason, reporting requirements for intangibles should not be defined from the sole perspective of the revised Practice Statement, but from an integrated view on intangibles in management commentary, financial statements and sustainability reports. We refer to the recent EFRAG discussion paper on intangibles.</p> <p>We also observe that subjects such as purpose, code of conduct, behavioural aspects and other soft controls could receive more prominent attention in the areas of content.</p>
6	Disclosure objectives for the areas of content	In paragraph 113 of the draft comment letter, EFRAG considers that the ED should better explain how the disclosure objectives provide a basis for the assessment of the stewardship of management. In addition to that, we recommend that a clear definition of stewardship in the ED, e.g. in appendix A 'Defined terms', would be useful.
11	Completeness, balance, accuracy and other attributes	The use of cross-references could simplify the management commentary and reduce the risk of 'disclosure overload'. However, it could also bring new complexities if the management commentary is subject to audit procedures, as documents that are included by reference will also become part of the audit scope.
12	Metrics	In paragraph 185 of the draft comment letter, EFRAG recommends to limit the non-financial information and metrics in the management commentary to those that are needed to explain the entity's financial performance and financial position. By using this scope, only the first objective of the management commentary is satisfied (as defined in paragraph 3.1 of the ED: enhance investors' and creditors' understanding of the financial performance and financial position). To meet the second objective of the management commentary (provide insight into factors that could affect the entity's ability to create value and generate cash flows across all time horizons), also other metrics should be presented, for example metrics about company's greenhouse gas emissions.
13	Examples of information that might be material	In paragraph 193 of the draft comment letter, EFRAG recommends to add some examples of material information regarding the governance theme, such as the remuneration policy of the company. In addition to that, we suggest to also mention examples about the management and supervisory structure of the company.

### 3. Answers to questions of EFRAG

To what extent is the IFRS Practice Statement 1 Management Commentary used (including by influencing existing local regulations) or referred to by reporting entities in your jurisdiction? Are there specific requirements with the revised Practice Statement that would limit or prevent its use in your jurisdiction?

In general, as mentioned above, IFRS Practice Statement 1 Management Commentary is not used in the Netherlands, because the Dutch Civil Code and our DASB standard for management board reports is applicable.

Do you agree or disagree with the guidance on Intangibles being incorporated across the six content elements?  
Please explain your view.

The DASB agrees with EFRAG that the proposed guidance and examples for Intangibles are useful, but that it will lead to scattered and fragmented disclosures across the different content areas. Reference is also made to our remarks to question 4 in the preceding paragraph.

Do you have evidence of widespread use of the current Practice Statement on a voluntary basis in your jurisdiction?  
If so, could you indicate which types of entities?

To our knowledge, IFRS Practice Statement 1 Management Commentary is not used in the Netherlands by companies on a voluntary basis.

Have you identified any specific issues with the enforceability and auditability of the proposals in the ED?

Not applicable as the Practice Statement is not mandated in the Netherlands.

Please do not hesitate to contact us should you require further information on these comments.

Yours sincerely,

A handwritten signature in black ink, appearing to read 'Gerard van Santen', with a long horizontal flourish extending to the right.

Gerard van Santen  
Chairman Dutch Accounting Standards Board