Association of Dutch Listed Companies

EFRAG
35 Square de Meeûs
1000 Brussels
Belgium

Date 31 October 2026

VEUO
E secretariaat@veuo.nl
T +31 20 577 1010

Re: VEUO response to the ESRS 40a Exposure Draft

Dear Mr Koktvedgaard, dear Ms del Prete,

VEUO, the association of Dutch listed companies, welcomes the opportunity to respond to EFRAG's Exposure Draft *ESRS for Certain Non-EU Undertakings in Accordance with Article 40a of the Accounting Directive* (ESRS-40a ED). The ESRS-40a ED raises questions relevant to Dutch listed companies, most of which are themselves within the scope of the CSRD. VEUO appreciates the opportunity to offer the following observations.

Recital 20 of the CSRD explains that third-country undertakings with significant activity in the Union should also provide sustainability information. This is to ensure transparency through reporting on impacts on people and the environment and to help create a level playing field for companies operating in the internal market. VEUO supports these objectives and recognises the considerations EFRAG has had to balance in developing standards that promote reliable and comparable sustainability reporting without imposing an undue regulatory burden. Against this background, VEUO would like to draw attention to the following potential difficulties.

Implications for European companies

Reporting under Article 40a of the Accounting Directive operates through European subsidiaries or, in certain circumstances, a European branch of a third-country parent company.[1] This may give rise to practical difficulties where the provision of relevant information depends on the legal arrangements in place and on the third-country parent company's willingness and practical ability to cooperate. In particular, the extent of European subsidiaries' obligations under Article 40a(2) to request information and to publish a report containing all information in their possession, *obtained or acquired*, is unclear. A broad interpretation of these obligations could impose unintended regulatory burdens on European companies. VEUO would therefore welcome clarification of the scope of these obligations to ensure that the aim of creating a level playing field between European and third-country undertakings is not undermined by imposing additional regulatory burdens on European companies.

[1] The scope of the obligations to draw up a sustainability report under Articles 19a and 29a of the Accounting Directive differs from that of the obligation imposed on European subsidiaries under Article 40a of the Accounting Directive. A European subsidiary might not be required to draw up a sustainability report under Article 19a or 29a of the Accounting Directive, yet could face new reporting obligations via Article 40a.

The ESRS 40a ED also requires information on the upstream and downstream value chain. VEUO supports this objective but wishes to highlight the potential burden that related requests for information may impose on European value chain partners. To address this 'trickle-down effect' of sustainability reporting requirements, the CSRD introduced a value chain cap for reporting under Articles 19a and 29a of the Accounting Directive. No equivalent cap appears to apply to reporting under Article 40a. VEUO considers that requests for information from value chain partners arising from reporting under Article 40a should be subject to equivalent limits, particularly where those partners qualify as 'protected undertakings' within the meaning of the third subparagraph of Articles 19a(3) and 29a(3) of the Accounting Directive.[2] VEUO therefore invites EFRAG to consider whether, and to what extent, an equivalent value chain cap could be incorporated into the standards, given the absence of an express provision in the Level 1 legislation.

Remarks on the ESRS-40a ED

VEUO would also like to comment on the current interoperability between the ESRS-40a ED and the IFRS Sustainability Disclosure Standards. The focus of the ESRS-40a ED on impact materiality, including impacts that are not reasonably expected to affect the undertaking's financial prospects, complements the focus of the IFRS Sustainability Disclosure Standards on financial materiality. The latter require undertakings to report on sustainability-related risks and opportunities. Application requirement 20 of the ESRS-40a ED 1 recognises that undertakings can draw on their assessment of sustainability-related risks and opportunities when identifying material impacts, provided that additional impact-material matters are also considered. The standard also acknowledges that reporting on impact materiality could result in the identification of impacts that may give rise to sustainability-related risks and opportunities. At the same time, both frameworks require information on governance, strategy, management processes, metrics and targets, with some overlap in climate disclosures. While the ESRS-40a ED already permits incorporation by reference, the extent to which information can be reused in both reports is not fully clear. With a view to further supporting interoperability, it may be helpful to clarify whether, and to what extent, information reported under the IFRS Sustainability Disclosure Standards could also satisfy specific requirements of ESRS-40a. The objective should be to maximise the reuse of common information.

Regarding the 'mixed approach'[3] taken in the ESRS-40a ED, VEUO recognises the balance EFRAG has had to strike between reliable and comparable information and pragmatic and proportionate reporting obligations. However, reporting under a mixed approach could compromise comparability across topics and across companies, undermining the objectives of transparency about third-country undertakings' impacts on people and the environment and of creating a level playing field for companies operating in the internal market. VEUO understands from a diverse group of market participants that they share this concern. However, their proposed solutions differ. VEUO believes EFRAG should address this

[2] The third subparagraphs of Articles 19a(3) and 29a(3) define a protected undertaking as *'an undertaking which: (i) does not exceed, on its balance sheet date, an average number of 1 000 employees during the preceding financial year; and (ii) is in the value chain of a reporting undertaking*'.
[3] Paragraph 28 of the ESRS-40a ED 1 allows undertakings to limit the reported information, for impacts other than those that are climate-related, to their EU-related impacts.

concern when finalising the standards. Against that background, VEUO recommends a more targeted set of disclosure requirements covering global impacts, rather than geographically limiting non-climate disclosures. These requirements should be limited to information that primary users consider most relevant for comparing non-EU parent companies with EU companies. EFRAG should assess whether this approach would better preserve comparability while keeping the overall reporting burden proportionate.

Several definitions in the ESRS-40a ED appear to be derived from EU legislation that does not itself apply to third-country parent companies. For example, the definition of 'surface water' reflects the categories used in Directive 2000/60/EC (the EU Water Framework Directive), while 'waste' is defined by direct reference to Directive 2008/98/EC (the Waste Framework Directive). This raises the question of how readily these definitions can be applied by third-country parent companies. With a view to facilitating reporting under ESRS-40a, it may be worth considering giving third-country parent companies the option to use definitions recognised in their respective jurisdictions. This could help address potential practical difficulties while preserving comparability.

VEUO thanks EFRAG for developing these standards and for the opportunity to comment. We remain available for further discussion.

Yours sincerely,
On behalf of VEUO

Reinier Kleipool
Secretary-General

Lizzy Bos
Legal adviser