



Comment letter on EFRAG's ESRS Implementation Guidance documents

European Financial Reporting Advisory Group

35 Square de Meeüs

Brussels B-1000

Belgium

Madrid, 2<sup>nd</sup> February 2024

Dear Madam/Sir,

First of all, the ICAC would like to express its fully appreciation for the efforts carried out by EFRAG in the development of the implementation guidance documents since they are going to help preparers and assurance providers to face the challenges of the first years of reporting under the European Sustainability Reporting Standards (ESRS).

The concepts of double materiality and value chain have been the focus of several discussions in the development of the ESRS (as the ICAC indicated in the comment letter on the public consultation to ESRS in August 2022). Currently, they continue being two of the issues that attract more attention in the debates due to the complexity of the materiality assessment and the difficulty that value chain incorporation in the sustainability report represents for the majority of the companies.

In particular, related to the materiality assessment implementation guidance document, we would like to transmit the preparers and verifiers concerns about the possible lack of comparability of the results of the materiality assessment due to the absence of thresholds in the ESRS regarding the measurement of the severity, and also likelihood in case of potential impacts. Despite the impossibility of introducing thresholds in the implementation guidance documents, we would like to point out that the request of the inclusion of more examples in the section 3.6. *Deep dive on impact materiality: setting thresholds* is a general desire from the stakeholders in sustainability information.





Regarding to the value chain implementation guidance document, main efforts are focused on clarifying the concept and determining the reporting boundaries. The value chain map is also helpful to understand the implications for reporting applying the value chain concept. However, from our recent knowing, two issues could need more guidance. Firstly, there are doubts about the practical implementation of the limit of request of information to small and medium-sized undertakings in the value chain exceeding information to be disclosed pursuant to the sustainability reporting standard for small and medium-sized undertakings, introduced in the Article 29b (4) of the Accounting Directive by the Sustainability Directive. Secondly, the relationship between the value chain concept and the consolidated reporting group, although it is addressed in the implementation guidance document, it still raises doubts between the sustainability stakeholders.

Finally, with reference to the List of ESRS datapoints document, ICAC recognizes the usefulness of the excel book. To improve this usefulness, it could be advisable considering the development of certain tools, as the conditional format or more filters, to simplify the excel book in concordance with the result of the materiality assessment carried out by the preparer, which help them to have a better general view of their information supply obligations, conjugated the said materiality assessment and the whole set of ESRS.

Finally, as an improvement for the joint understanding of the implantation guidance documents, it would be positive to introduce crossed references among the said documents to facilitate the access to concepts that are interconnected, being these connections essential to make an integral interpretation of the guidance.

ICAC would like to finalize by acknowledging the work done by EFRAG preparing these guidance documents.

Please do not hesitate to contact us if you would like to clarify any point of this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of the ICAC

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