Mr. Patrick de Cambourg

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European Financial Reporting Advisory Group

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Ref: Comment letter on the EFRAG public consultation on the simplification of ESRS (Set 1)

Madrid, 29th September 2025

Dear Patrick,

First of all, the ICAC would like to express its full appreciation and support for the efforts undertaken by EFRAG in the revision and simplification of the European Sustainability Reporting Standards for large companies (Set 1), as mandated in March 2025 by the European Commission following its Omnibus initiative and its formal request. This task has been particularly demanding given the strict time constraints.

The ICAC has actively contributed to this process through its representatives in the SR TEG and SR Board, as well as in its capacity as a member of the National Standard Setters. In this regard, we value that most of the suggestions submitted have been taken into consideration.

This process has been driven primarily by two objectives: (1) reducing the requirements for large companies so that their competitiveness is not adversely affected, and (2) enhancing the standards based on the experience gained during the first year of implementation.

The version submitted for public consultation substantially reduced the effort required of companies to comply with the standards. This was achieved by improving the architecture, eliminating duplications, sharpening the distinction between mandatory and voluntary datapoints, decreasing the number of datapoints, strengthening interoperability with IFRS, incorporating more realistic burden reliefs, clarifying issues through the integration of Q&A responses, and refining the wording.

Nevertheless, several issues still require improvement. The first one concerns double materiality (DMA). The current structuring of the section is clearer, and the language has improved the overall readability. Regarding the process required of companies, certain simplifications have been introduced, such as the fact that it is no longer mandatory to assess every IRO identified and that expert judgement has been recognised as a relevant factor (including top-down approach, positive impacts, etc). In our view, the double materiality assessment could benefit from a step-by-step guide which allow to increase methodological consistency and clarify the threshold for materiality based on business model. In addition, considering that sectorial standards are not going to be developed, some sectorial guidance at this point would be welcomed.

Regarding entity-specific issues, we agree that all this kind of datapoints should be aligned with an existing framework such as SASB or GRI to increase the comparability across the undertakings.

Although the distinction between “gross” and “net” approaches in DMA assessment has been simplified compared with previous drafts of the Implementation Guidance (IG), it remains complex (particularly Appendix C) since it largely depends on the year in which the impact and the related remediation or mitigation actions occur. If the purpose is to reduce the complexity of DMA, companies need to be enabled to implement it more efficiently. We consider that the gross approach should prevail in current impacts for determining whether a topic is material and thus requires disclosure. In case of potential impact, the net approach should be more appropriate. Once disclosure is required as a consequence of the materiality analysis, companies should report the actual current impact, including the effect of remediation, mitigation, and/or prevention measures undertaken.

As already noted, the standards' readability has improved, but further progress is needed to clarify some terms as “significant”, “key”or “undue cost or effort”, and particularly in ensuring connectivity with other information. In this respect, the clause “incorporation by reference” has a limited applicability due to the assurance requirement. To facilitate the assurance of the information "incorporate by reference" and control the cost of its assurance, it would be recommendable that the reference should be precise (e.g. this information is included in page XX, section YYY and paragraphs/tables ZZZ). In relation to improvements in flexibility on the presentation, it should be noted that connection between financial and sustainability information has weakened as reconciliations became not mandatory.

Methodological clarifications have been relocated to the Non-Mandatory Illustrative Guidance (NMIG). Since the main objective of the ESRS revision is simplification, NMIG should not be included in the Delegated Act but rather published on the EFRAG website as supplementary material. In addition, it should be more clarified the mandatory/voluntary role of this NMIG.

Regarding burden reliefs, the clause "reasonable effort" has been replaced by "undue cost and effort" to increase consistency with IFRS. However, our concerns remain, since it is unclear what this term precisely entails and how companies are expected to justify it, particularly in the context of the "fair presentation" principle.

With respect to data from value chains, our view remains that preference should be given to direct data instead of estimations. Although we recognise that this does not depend solely on EFRAG, limiting the scope of reporting to TIER 1 entities could significantly reduce the effort and facilitate access to primary data. Moreover, although it would be out of ESRS, the value chain cap should definitely be on the VSME ESRS.

Furthermore, it is not sufficiently clear whether companies may exclude from metrics those activities that are not significant drivers of each IRO, as this would result in incomplete group-level reporting. As there is already a burden relief that contemplates only a partial scope in cases of insufficient data quality, this provision should apply to the first case during the first years. Nevertheless, in the medium term, undertakings ought to report on the complete scope of the group.

Even though the perimeter has been aligned with the one applied to the consolidated financial statements, for some environmental topics operational control continues being an option. The inclusion of examples which illustrate in which situations operational control could prevail over the financial control would be really welcomed.

Reporting anticipated financial effects remains one of the most critical challenges identified by companies due to estimation difficulties and potential impacts on competitiveness. Based on the feedback received, we proposed that initially, it would be mandatory to report about them only using a qualitative approach (Option 2) since there is a lack of robust methodologies, maturity and expertise; this current situation may lead to a lack of comparability. As the methodologies would be developed and expertise would increase, the mandatory disclosure would change to a quantitative approach (Option 1).

Although the Commission has stated that new requirements should only be introduced when strictly justified, six previously voluntary datapoints have become mandatory, and four wholly new datapoints have been added in a context of simplification. Moreover, while an additional datapoint has been included in G1, other topical standards, such as S3 and S4, still lack quantitative datapoints. This situation fosters the use of entity-specific datapoints and undermines comparability across reports.

One of the implications of adopting the “fair presentation” principle, as indicated in the questionnaire, is reducing the documentation required to demonstrate that omitted data points are not material. We agree that this approach neither simplifies the ESRS nor facilitates assurance; rather, it risks increasing the difficulties faced by assurance providers. The application of “fair presentation” principle would be compatible with the requirement of a reasonable assurance level. However, it presents inconsistencies with the limited assurance level, which seems to be the target considering the Omnibus initiative.

Regarding environmental datapoints related to European regulation, it would be necessary to point out that this does not apply to assets outside the UE (as part of their own operation) since it does not apply to them.

With respect to the specific question of including the latest trends in the evolving methodological landscape related to environmental issues (particularly to biodiversity) and higher alignment with other frameworks (such as SBTN), it would be advisable that the text remain as open as possible fixing the characteristics that each methodology should comply with but without referring to any specific framework (at least in the text). This is a relatively new field, so methods developed in the following years would be used without updating the ESRS.

Finally, regarding social topics, more clarification about what constitutes non-employees would be appreciated, as well as increase the consistency in the use of the terms “remuneration” and “salary” taking into account the different content according to jurisdictions.

The ICAC would like to conclude by commending EFRAG’s work in preparing the draft.

Please do not hesitate to contact us should you wish to clarify any point raised in this letter.

Yours sincerely,

Santiago Durán Domínguez

Chairman of ICAC