



Brussels, 31st January 2024

MS/VH

EACB comments EFRAG's draft Materiality Assessment Implementation Guidance (IG 1) and Value Chain Implementation Guidance (IG 2)

• Draft EFRAG Materiality Assessment Implementation Guidance, IG 1 (MAIG)

General comments

While we appreciate the provided guidance, we would welcome in addition the inclusion of illustrative examples of how an entity might identify material IROs to determine the material sustainability matters, demonstrate how an entity might apply some of the requirements in the MAIG, such as linking materiality sustainability matters to corresponding IROs as per paragraph 77, or applying criteria for assessing material actual and potential impacts as well as risks and opportunities as indicated in paragraph 80.

Additionally, we recommend that EFRAG enhances its MAIG by furnishing comprehensive examples concerning various aspects related to engaging with affected stakeholders, i.e., how to seek input and feedback, collect and analyze their answers, and ultimately offering insights into how to use this information to inform the due diligence process.

Para. 7 stating „However, the ESRS do not mandate specific behaviour on stakeholder engagement and do not pre-empt the content of the CSDDD currently under definition in the EU legislative process.” signals the need to underscore the update required for the ESRS.

As for **para. 30** stating that "MA process (including criteria and thresholds applied and conclusions) should be consistent with internal and other external reporting. Consistency with sustainability management policies and actions is also required, including those fulfilling sustainability-related laws and regulations", we would appreciate EFRAG's clarification regarding the specific nature of "other external reporting", and in particular whether financial statements and reporting are targeted here. As follows from para. 124 and FAQ 3, the material information for financial statements differs from that required for sustainability statements. Likewise, we would welcome a clarification of which "sustainability management policies and actions" are the focus in para. 30.

Para. 54 stating that companies should apply a "filter of materiality of information" to determine the level of detail in describing policies, actions, and targets goes beyond the requirements outlined in the ESRS. Notably, para. of ESRS 1 does not mandate companies to apply a materiality filter when disclosing information on policies, actions, and targets. Hence, we suggest that EFRAG deletes this new concept introduced in the guidance.

FAQ 12 clarifies that the ESRS do not mandate specific documentation. However, the introduction of mandatory assurance for the sustainability statement suggests that companies should be able to explain the process behind their materiality assessment. We propose that EFRAG should collaborate with auditors to gain a more comprehensive understanding of the expectations they have for companies in this regard.

• Draft EFRAG Value chain implementation guidance, IG 2 (VCIG)

General comments

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The voice of 2.700 local and retail banks, 89 million members, 227 million customers in Europe

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We would like to stress the urgent need for a prompt resolution regarding value chain reporting for financial institutions. A swift solution is essential to provide clarity and guidance to entities operating within this sector. The current lack of information poses challenges for banks struggling with specific questions related to the key concepts introduced by the ESRS, especially as they have already initiated the CSRD implementation. Until a specific guidance on the value chain reporting for banks is officially published, credit institutions are compelled to depend on the phase-in provision which grants them a three-year exemption from the obligation to report information on their value chain.

Additionally, considering the non-binding nature of the VCIG, in our view, **para. 63**: "*Starting from its fourth year of reporting under ESRS, the undertaking shall include VC information according to ESRS 1 paragraph 63 (ESRS 1 paragraph 135) and as explained in this document.*" appears to contradict this non-binding character.