

This paper provides the technical advice from EFRAG SR TEG to the EFRAG SRB, following EFRAG SR TEG’s public discussion. The paper does not represent the official views of EFRAG or any individual member of the EFRAG SRB or EFRAG SR TEG. The paper is made available to enable the public to follow the discussions in the meeting. Tentative decisions are made in public and reported in the EFRAG Update. EFRAG positions, as approved by the EFRAG SRB, are published as comment letters, discussion or position papers, or in any other form considered appropriate in the circumstances.

MAIG: Feedback and updates

Cover note

Objective

1. The objective of this session is for EFRAG SR to approve the updated MAIG to the SRB for publication, following recommendation and technical advice from the SR TEG on the 11 April 2024 (refer to Appendix 1 for the approved SoD of the SR TEG meeting and approvals)

Background

2. On 20 March 2024, the SRB provided input on strategic direction following the feedback received in the consultation period.
3. On 21 March 2024, the SR TEG the SR TEG was informed about those strategic directions and provided input on how to implement those directions, considering the consultation feedback. The SR TEG approved IG 1 with two dissents on the vote performed (see Appendix).
4. Secretariat followed the strategic decision from the SRB directions with a focus on the following areas:

| Conceptual points | |
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| <p>a)MA process: Weighting the results of the subsidiaries materiality assessment at group level for impacts</p> | <p>The orientation was to further develop the principle of unbiased assessment defined in ESRS 1 para 102-104 and consider develop further the concept of significant differences from the subsidiary exemption. The SRB agreed to ask SR TEG for its inputs on the establishment of thresholds at group vs subsidiary level. In addition, SRB also suggested to include examples or illustrations for diverse groups or conglomerates. On 21 March, SR TEG agreed that different methodologies could be needed for the various sustainability matters when performing group materiality assessments with inputs from a wide variety of subs. It also discussed that aggregation was not a solution that would work for social matters, for example; and that the ESRS Delegated Act did not request that aggregation and group thresholds were required for all matters.</p> <p>MAIG References: The newly created section 3.6.3 Considerations for Group and subsidiaries and FAQ 13 <i>Performing the impact materiality assessment when the undertaking operates in different sectors.</i></p> |

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| b) Approach to supportable and objective evidence compared to other inputs | <p>SRB orientation was to fine tune the wording within the context of ESRS 1 Qualitative characteristics of information. On 21 March, SR TEG discussed the consensus reached on the topic with ID185 for consistency with the updated drafting.</p> <p>MAIG References: Para 28 and FAQ 10.</p> |
| c) Relationship between the materiality assessment and ESRS 1 par. 114. | <p>SRB orientation was to clarify the architecture of the ESRS approach in the drafting.</p> <p>MAIG References Para 25</p> |
| d) Clarification on the gross vs net impact approach for environmental matters in the materiality assessment | <p>SRB orientation was to clarify and redraft whether and how to take into account the mitigation actions in the materiality assessment, including revision of examples if necessary. Significant edits have been</p> <p>MAIG References FAQ 23</p> |
| Clarifications | |
| e) De facto introduction of a hierarchy of stakeholder engagement that goes beyond set 1. | <p>SRB orientation to perform an editorial clarification on the role of consultation as a type of engagement in the guidance.</p> <p>MAIG References Chapter 3.5, para 108.</p> |
| f) Conflicting views about suggestion that financial materiality is linked to engagement with users | <p>SRB orientation to perform an editorial clarification on the user engagement role within the financial materiality lens.</p> <p>MAIG References Chapter 3.5, para 111 and 112. Also, para 134 for consistency.</p> |
| Scope | |
| g) Governance considerations for the materiality assessment to be included (Chapter 3) | <p>SRB orientation to include a mention to ESRS 2 GOV within Chapter 3.</p> <p>MAIG References Chapter 3.4, new para 99 added.</p> |
| Further guidance | |
| h) Further guidance on value chain, thresholds definition and application, use of judgement in the thresholds (Chapter 3.6 and 3.7) | <p>SRB orientation to be considered in the future workplan and prioritisation.</p> |
| i) Practical examples on the steps of the Materiality assessment (Chapter 3) | <p>SRB orientation to be considered in the future workplan and prioritisation.</p> |

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| <p>j) Engagement with stakeholders (i.e. prioritisation, types of engagement.) (Chapter 3.5 and 5.4)</p> | <p>SRB orientation to be considered in the future workplan and prioritisation.</p> |
| <p>Other support/ tools</p> | |
| <p>k) Tools and external sources of guidance in relation to the identification of matters for the materiality assessment (Chapter 4.1)</p> | <p>SRB orientation to include the use of additional sources, provided that the result is aligned with ESRS requirements, emphasis being on those that are interoperable with the ESRS. MAIG References Chapter 4. Sub-chapter 4.4 Leveraging other frameworks or sources created.</p> |

Changes made to this version

5. In addition to the changes summarised in para 2 above, the following have been included, following EFRAG SR TEG recommendations:
 - (a) New examples for positive impacts and the application of the materiality of information have been included in para 37 c) and para 53.
 - (b) The FAQ 25 related to Art 8. Taxonomy has been subject to significant streamlining with the two examples being deleted.
 - (c) Minor clarifications have taken place in FAQ 5, 6, 7 and 21.
 - (d) Minor edits to figure 1(b) (c), 3 and 4.

Additional new IGs

6. The EFRAG SR TEG suggests to consider new IGs for:
 - (a) Illustration of whether and how evidence of the Art.8 Taxonomy can inform materiality assessment (ref. FAQ25)
 - (b) Examples of conducting materiality assessment on impacts before mitigation actions (ref. FAQ23).

Questions for EFRAG SR TEG

7. Does the SRB have any other comments on the changes to the MAIG?
8. Does SRB approve the publication of the MAIG?
9. Does SRB agrees to add to the pipeline of IGs (subject to overall workplan prioritisation) the two new IGs in paragraph 6 above?

Agenda papers

10. In addition to this cover note, agenda papers for this session are:
 - (a) Agenda paper 03-02 – MAIG: the updated document;
 - (b) Agenda paper 03-03 – MAIG compared to version issued for public feedback;