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Materiality Assessment Implementation Guidance Cover Note

Objective

1. The objective of the session is to present to EFRAG SR TEG the updated MA IG, that reflects the comments received from SR TEG and SRB members on the version uploaded for the SRB on 23 August 2023.
2. This is the last discussion before final approval, which is scheduled for the week of the 6 of November at TEG level and for 15 November at EFRAG SRB level. The meeting is expected to be focus on substance; further editorial comments are welcome in written if they arrive by 24 October 2023. As the next meeting on this document is to approve it, EFRAG SR TEG members are invited to present, if any, their remaining comments that could affect their intention to support the document, in this meeting.

Important information

3. EFRAG can only issue non-authoritative guidance in its role as technical advisor to the EC.
4. Furthermore, while drafting guidance, EFRAG cannot develop concepts or requirements that go beyond the content of the July 2023 delegated act. The guidance aims to illustrate the delegated act but not go beyond it. For new provisions, separate standard-setting activities in accordance with that process has to be concluded.
5. The content of the guidance presented for this meeting has not been validated by the ISSB, GRI or FISMA.
6. EFRAG is also in the process of establishing a process to answer questions from constituents (i.e., ESRs access point) that will complement the array of implementation activities being carried out.
7. Update on key changes since the last version discussed at the SR TEG meeting on the 4 September 2023:



a) Reorganisation of section 2 and 3

Version 4 September 2023	Version 17 October 2023
<p>2. What is the double materiality assessment</p> <p>2.1 Recap on the concept of double materiality</p> <p>2.2 The materiality assessment</p> <p>2.3 Understanding key concepts for the materiality assessment</p>	<p>2. The ESRS approach to materiality</p> <p>2.1 Implementing the concept of double materiality <i>(note 1)</i></p> <p>2.2 Understanding key concepts</p> <p>2.3 Criteria for the identification of material information</p> <p>2.4 Scope of application of the materiality of information</p> <p>2.5 Datapoints derived from EU legislation</p> <p>2.6 Considerations for upstream/downstream value chain</p>
<p>3. Materiality assessment – why is it needed?</p> <p>3.1 Identification of all material IROs</p> <p>3.2 Criteria for identification of material information</p> <p>3.3 Scope of the application of the materiality of information</p> <p>3.4 Datapoints derived from EU legislation</p> <p>3.5 Considerations for upstream/downstream value chain</p>	<p>3. Materiality assessment -how is it performed?</p> <p>3.1 – 3.4. Steps of the Materiality assessment</p> <p>3.5 Role and approach to stakeholders in the materiality assessment process</p> <p>3.6 Deep dive on impact materiality</p> <p>3.7 Deep dive on financial materiality <i>(note 2)</i></p>
<p>4. Materiality assessment- how is it performed?</p> <p>4.1 – 4.4. Steps of the Materiality assessment</p> <p>4.5 Role and approach to stakeholders in the materiality assessment process</p> <p>4.6 Setting the thresholds for impact materiality.</p>	

Note 1: Section 3 from the 4 September 2023 version has been moved and streamlined into section 1 within the heading the ESRS approach to materiality that summarises the rationale for conducting the materiality assessment exercise.

Note 2: FAQ 7 How should the undertaking set thresholds for financial materiality? From the 4 September 2023 version has been moved to Section 3 and the additional guidance from impact and financial materiality on thresholds will be located together.

- b) Deletion of FAQ 18 *How to involve/consult stakeholders?*
- c) Redrafting of FAQ 25 *When an undertaking has already put in place actions to avoid, minimise mitigate or rehabilitate impacts, shall it nevertheless report on the impacts before those actions?* (This is now FAQ 23)



- d) Deletion of FAQ 27 *Is there a recommended format or matrix to graphically present the material matters?*
- e) Merger of FAQ 28 *What is the relationship between taxonomy eligible activities and impact materiality?* and FAQ 29 *What is the relationship between taxonomy eligible activities and financial materiality?* In addition, a new paragraph for financial materiality and further alignment of concepts has been performed. (This is now FAQ 25)

Next steps

- 8. The EFRAG SRB envisages releasing the guidance in draft for public comment for a period of four weeks and then issuing the final document after approval.

Additional agenda papers

- 9. In addition to this paper, the EFRAG Secretariat presents the following additional papers:
 - a. Agenda paper 04-02 Updated MA IG (clean);
 - b. Agenda paper 04-03 Updated MA IG (in tracked changes); and
 - c. Agenda paper 04-04 *Feedback on MA IG* – the main paper for discussion.

Questions for EFRAG SR TEG on agenda paper 04-04

- 10. Does EFRAG SR TEG members agree with the reorganisation and streamlining of the sections 2 and 3?
- 11. Does EFRAG SR TEG members agree with the further analysis on approach to stakeholder engagement in Section 3.5? Refer to paper 04-04-point b).
- 12. Does EFRAG SR TEG agree with the analysis from Secretariat on proportionality? Refer to paper 04-04-point c).
- 13. Does EFRAG SR TEG agree with the revised FAQ 23 *When an undertaking has already put in place actions to avoid, minimise mitigate or rehabilitate impacts, shall it nevertheless report on the impacts before those actions?* In particular, the examples provided to illustrate the concept?
- 14. Any comments on the enhanced FAQ 25 *What is the relationship between taxonomy eligible activities and materiality?* This FAQ now covers both the impact and financial materiality dimensions.
- 15. Does EFRAG SR TEG members have any remaining comments of substance that could affect their vote on the document in the next meeting (subject to additional changes that may be requested by EFRAG SRB)?

