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Materiality Assessment Implementation Guidance Cover Note

Objective

1. The objective of the session is to seek approval from EFRAG SRB members for the draft Materiality Assessment Implementation Guidance (also referred as MAIG) following its approval by the SR TEG members on the 8 November 2023. This Guidance forms parts of the Implementation activities whereby EFRAG issues non-authoritative guidance.

Important information

2. EFRAG can only issue non-authoritative guidance in its role as technical advisor to the EC.
3. 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.
4. The content of the guidance presented has not been validated by the ISSB, GRI or FISMA.
5. EFRAG also launched, on the 24 October 2023, a Q&A platform to answer questions from constituents that will complement the array of implementation activities being carried out.
6. Following the last presentation of the draft MA IG to the SRB on the 25th October 2023, EFRAG Secretariat has updated this Guidance with the comments received in that meeting and in the SR TEG meeting on 6 November. The key changes are summarised below, to note that this is not an exhaustive list as the mark-up version (paper 04-03) allows for a comprehensive overview of the changes:
 - a. Addition of visuals refer to figure 1b and 2 in the MA IG have been added to illustrate the double materiality concepts and process;
 - b. Emphasis on the judgement by undertakings in the materiality assessment process and the linkage between transparency of information and judgement; in particular, for thresholds and assessment;



- c. Stakeholder engagement – examples of the steps when such engagement with affected stakeholders could take place and reference to EU regulation of workers’ representatives;
- d. Revised FAQ 25 on Art 8 taxonomy;
- e. Revised FAQ 23 on Environmental impacts; and
- f. Revised scope of FAQ 5 to financial statements, excluding management commentary.

SR TEG approval

- 7. On 8 November 2023 the EFRAG SR TEG approved on a consensual basis the MAIG subject to few editorial changes that are already reflected in the version provided for this meeting. 21 members provided their positive vote, with three qualifiers (disagreement with specific content by three members that did not trigger disagreement with the entire document, see Appendix).

Next steps

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

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);

Questions for EFRAG SRB members on agenda paper 04-02

- 10. Do EFRAG SRB members approve paper 04-02 described above for public feedback release?



APPENDIX – SR TEG approval on MA IG

MA IG SR TEG APPROVAL 8 NOVEMBER 2023			
	SR TEG Member	Vote	Qualification
1	Alexandra van Selm	YES	
2	Piermario Barzaghi	YES	
3	Belen Varela Nieto	YES	
4	Carlota De Paula Coelho	YES	
5	Christoph Töpfer	YES	The SR TEG member did not agree with the changes on FAQ 25 introduced by the Board as they resulted in deleting a lot of substance useful for the IG users and already informally agreed upon with experts of the PSF. The content deleted is to be reinstated.
6	Philippe Diaz	YES	The SR TEG member asked to edit Figure 1b to visually clearly indicate that dependencies and impacts originate mostly risks and opportunities, so in terms of sequence of steps in the analysis dependencies comes before risks and opportunities, at the same level of impacts. The suggestion is to add arrows to the graph to show the right sequence of impacts and dependencies to risks and opportunities.
7	Giulia Genuardi	YES	
8	Johan Dahl	YES	
9	Julian Müller	YES	
10	Katerina Katsouli	YES	
11	Klaus Hufschlag	YES	With reference to the FAQ 25, the SR TEG member agreed that taxonomy can indicate if an activity violates the DNSH, but this doesn't make the topic material. It is added that misalignment in taxonomy can result from companies failing to fulfil bureaucratic criteria, making the logic that a DNSH creates an impact misleading. Finally, the SR TEG member suggested cutting the examples to avoid unnecessary detours for companies and auditors, reducing the importance of text (note that the examples were at the end not deleted).
12	Luc Hendrickx	YES	
13	Luca Bonaccorsi	YES	



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14	Maria Mora	YES	
15	Sigurt Vitols	YES	
16	Chiara Del Prete	YES	
17	Eric Duvaud	YES	
18	Piotr Biernacki	YES	
19	Signe Andreasen Lysgaard	YES	
20	Sandra Adler	YES	
21	Chiara Mio	YES	

