

This paper has been prepared by the EFRAG Secretariat for discussion at a public meeting of the joint EFRAG SRB and EFRAG FRB meeting. 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.

ESRS Draft Materiality Assessment Implementation Guidance (MAIG)

Objective

- 1 The objective of this session is to obtain feedback from the EFRAG FRB on the financial materiality- related content of the draft MAIG that has been released for public feedback (22 December 2023- 2 February 2024).

Background

- 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 DG FISMA.
- 5 EFRAG Secretariat drafted the draft MAIG that was discussed in the SR TEG and SRB during June – November 2023 and approved by the SRB for public feedback. In addition, the October working paper of this draft MAIG was discussed in the joint SR TEG and FR TEG meeting with the same objective of obtaining feedback on the financial materiality sections of the guidance.
- 6 The draft MAIG was subject to public feedback. The feedback period closed on the 2 February 2024. EFRAG Secretariat is currently analysing the various comment letters and feedback received in order to present its analysis to the SRB and SR TEG in March 2024.

Key discussion points for the session

- 7 The draft MAIG provides guidance on the application of the double materiality for sustainability reporting. Therefore, it develops the concept of financial materiality for sustainability reporting, and it includes two questions on the relationship between financial materiality for sustainability reporting and financial reporting. Specifically, these points are covered in:
 - Chapter 3.7 Deep dive on financial materiality: Setting thresholds
 - Chapter 4.2 Leveraging the ISSB standards

- FAQ 5 Is the material information for financial statements the same as for the sustainability statement?
- FAQ 6 Is financial materiality for sustainability reporting limited to effects presented in financial statements?

Questions for EFRAG FRB

- 8 Does EFRAG SRB have any comments on the draft MAIG sections mentioned above?

Next steps

- 9 EFRAG SRB will receive a presentation from EFRAG Secretariat on the feedback received during the public feedback period and provide strategic direction in March 2024.

Agenda Papers

- 10 In addition to this cover note, agenda papers for this session are:
- (a) Agenda paper 05-02 – Draft Materiality Assessment Implementation Guidance, December 2023