

Name of responding organisation:
Austrian Federal Economic Chamber (WKÖ)

Feedback: Draft EFRAG IG 1

Materiality assessment implementation guidance

February 2, 2024

Chapter - Summary:

- Point 1: More detailed information is requested on the meaning of the terms 'material information' and 'judgment'.
- Point 1: It is essential that clear guidelines are provided for companies to fulfill their obligations. The assessment criteria should be clearly defined to ensure uniform application.
- Point 5: The exemplary description of possible processes or possible sequences of steps is essential for companies to meet the requirements for reporting data points and should therefore be set out in the guidelines.
- Point 8: A definition of 'severity' with practical examples is requested.
- Point 10: A definition of 'due diligence process' with an explanation of its connection to ESRS is requested.
- The translation of the ESRS into other languages has been successfully completed, highlighting the importance of promptly releasing translated versions of the guidelines.

Chapter - Introduction:

- The ESRS are intended to ensure uniformity in reporting; due to the vague description of processes, it is not guaranteed that the essential topics for companies in the same industry are evaluated in the same way.
- All submitted drafts have in common that they require 'double materiality'. In addition to the anticipated high effort, it is unclear how to obtain reliable values, especially in the case of built assets (construction). The alphanumeric data of a building, directly correlated with the graphics, display ESG data associated with building materials (partially standardized). There are still few models where, across the entire depth of detail, commercial or social data can be assigned.
- During the consultation phase of the ESRS, it was identified that the requirements are complex and extensive. It is, therefore, crucial that the guidelines are simple, clear and comprehensible, supplemented with examples. Undertakings should be able to extract all necessary information for reporting from the guidelines, streamlining the subsequent implementation of the requirements.
- It is crucial to depict the interdependencies and connections among the various requirements to avoid overlooking any aspects. Developing a kind of flowchart with specific references to chapters and requirements would be advisable.

- **Point 18:** It is essential to provide **examples** that serves as a basis for evaluating the reporting obligations. This would significantly contribute to the understanding and assessment of the effort required.

Chapter 2 - The ESRS approach to materiality:

- **Point 26:** The question arises regarding the criteria for prioritization, and the content/scope of this point is not sufficiently clear.
- **Figure 1b** indicates that impacts and risks/opportunities must be reported separately. This is not explicitly stated in the text, and we request clarification on this matter.
- In **Figure 1b)**, the dotted arrow can be found in the definition ("Influence of undertakings decisions, including OPEX, CAPEX, etc. on impacts, dependencies and other R&O factors") but not in the chart itself.
- **Point 37:** Which timeframe is considered relevant? Please provide further details.
- **Point 46:** A flowchart with specific references to chapters and requirements would be beneficial.
- **Point 50:** A definition of 'decision-usefulness' and 'significance' is requested.
- **Point 51:** A definition of 'general requirements on fundamental qualitative characteristics' and 'enhancing qualitative characteristics of information' is requested.

Chapter 3 - How is the materiality assessment performed?

- **Point 73:** A checklist of ESRS datapoints would be helpful.
- **Point 76:** Is the "long" list of impacts a mandatory requirement?
- Is the requirement according to point 90 mandatory according to the ESRS?
- **Point 116:** An explanation is requested on how companies can ensure that all essential points have been included in the report.

Chapter 5.1 - FAQs on impact materiality

- **Point 153:** Please provide an explanation of the extent to which ESRS E1 Climate Change and ESRS E4 Biodiversity require specific reporting requirements.

Chapter 5.3 - FAQs on the materiality assessment process

- Providing examples that illustrate different applications of the Top-Down and Bottom-Up approaches would be valuable as a source of inspiration for envisioning a potential process.

Chapter 5.4 - FAQs on stakeholder engagement

- The inclusion of 'silent stakeholders' should be elaborated upon, particularly focusing on specifying the exact subject areas that need consideration. Providing a list of opportunities and risks across various sectors would be helpful as an illustrative example for the 'silent stakeholders'.