

Datamaran welcomes EFRAG's Materiality Assessment Implementation Guidance (MAIG) and the opportunity to provide feedback.

We applaud EFRAG's effort to improve the clarity and usability of the MAIG, which has increased substantially compared to the first drafts. For the last 10 years, Datamaran has been enabling decision-makers and leaders to leverage technology and AI to identify, assess, and monitor their material impacts, risks, and opportunities in an objective, evidence-based, and data-driven way (more information on how Datamaran uses AI is available [here](#) and [here](#)). The MAIG's recommendation to base the materiality assessment on:

- *“supportable evidence and rely to the maximum extent possible on objective information”* (paragraph 28);
- *“credible scientific reports and other sources [...] to objectively assess the severity and/or likelihood of impacts”* (paragraph 107);
- *“any supportable evidence that provides as much objectivity as possible to the materiality conclusion”* (paragraph 115);

strongly resonates with our experience of what is a key best practice adopted by organizations leading in ensuring the quality, transparency, and reliability of their sustainability disclosures.

Based on our extensive experience on materiality assessment, some additional improvements would further enhance the usefulness of the MAIG, without changing its scope and purpose. In particular, more details are needed concerning the disclosure requirements (DRs) included in ESRS 2 on the **governance** of the materiality assessment process. In particular:

- ESRS 2 GOV-1:
 - *“the roles and responsibilities of the administrative, management and supervisory bodies in **exercising oversight of the process to manage material impacts, risks and opportunities**, including management's role in these processes”*
 - *“the identity of the administrative, management and supervisory bodies (such as a board committee or similar) or individual(s) within a body responsible for **oversight of impacts, risks and opportunities**”*
 - *“how the administrative, management and supervisory bodies and senior executive management oversee the **setting of targets related to material***

impacts, risks and opportunities, and how they monitor progress towards them”

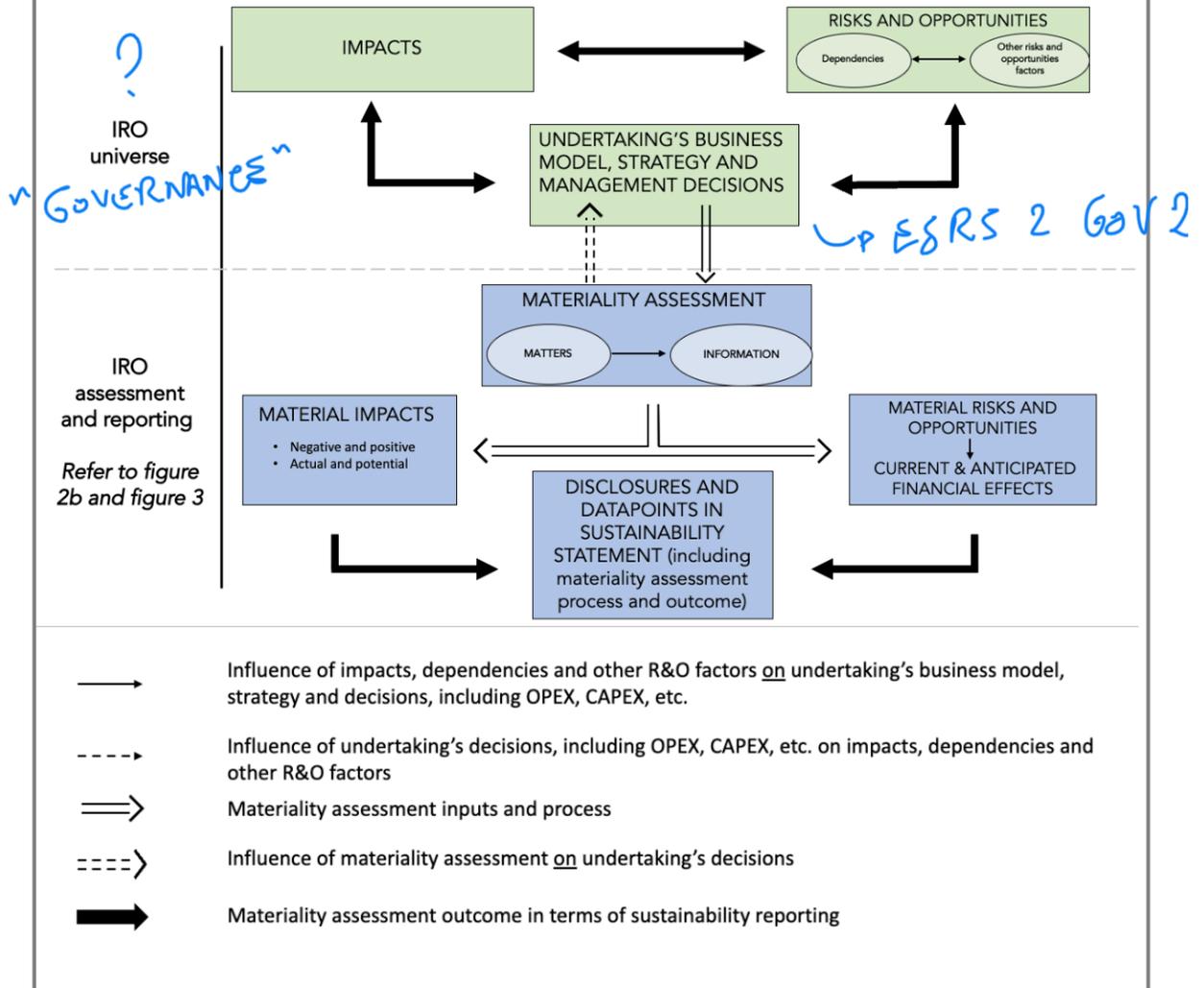
- ESRS 2 GOV-2
 - *“whether, by whom and how frequently the administrative, management and supervisory bodies, including their relevant committees, are informed about material impacts, risks and opportunities (see Disclosure Requirement IRO–1 - Description of the processes to identify and assess material impacts, risks and opportunities of this Standard), the implementation of due diligence, and the results and effectiveness of policies, actions, metrics and targets adopted to address them”*
- ESRS 2 SBM-2:
 - *whether and how the administrative, management and supervisory bodies are informed about the views and interests of affected stakeholders with regard to the undertaking’s sustainability-related impacts.*

This could be addressed in a dedicated FAQ in the “FAQs on the materiality assessment process”: “what is the governance of the materiality assessment process?”. The FAQ would not prescribe any specific governance process or structure (which is beyond the scope of the MAIG), but simply highlight and clarify that when designing their materiality assessment process, reporting organizations should bear in mind the disclosure requirements listed above - and their governance implications and plan accordingly.

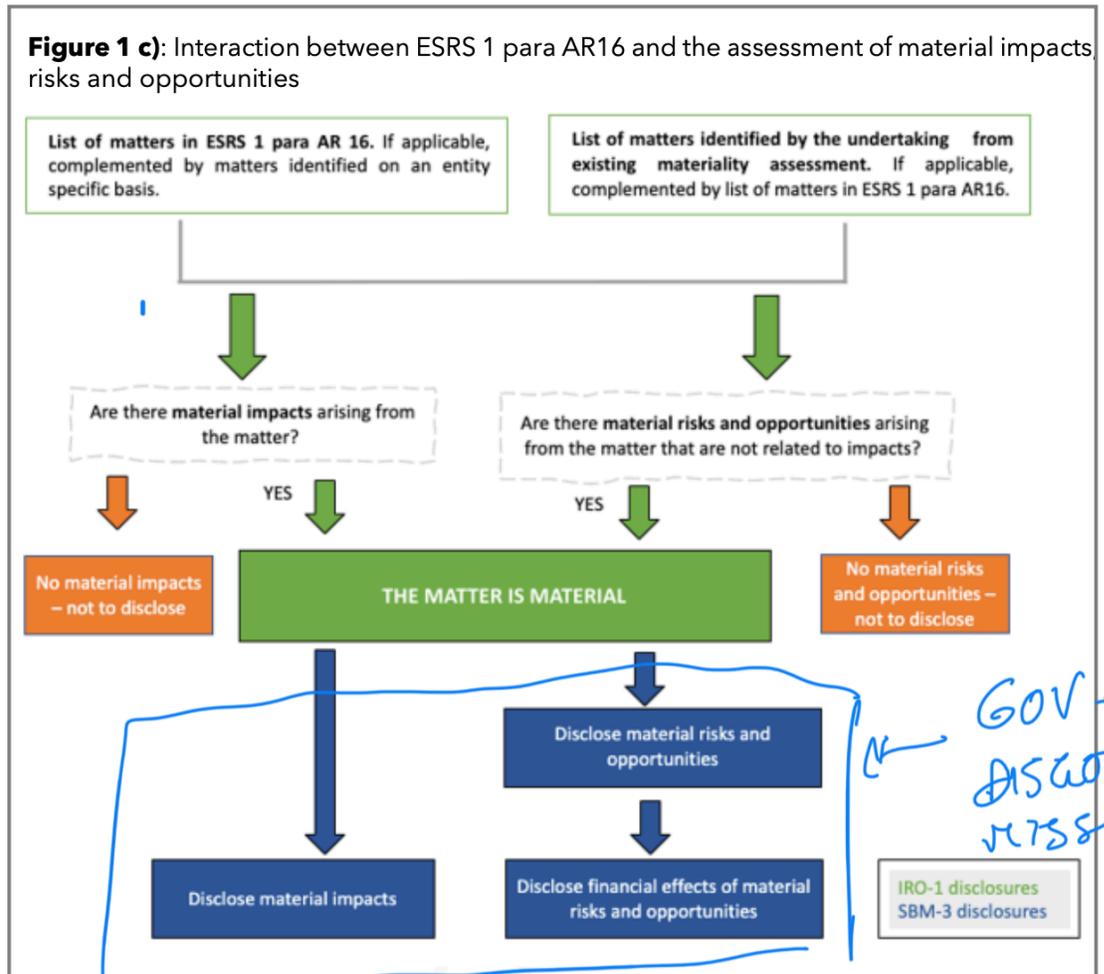
Other sections of the MAIG would benefit from including guidance on the governance aspect of the process. Those are:

- In the executive summary, point 13 should have an additional bullet point indicating that the undertaking shall disclose the information required in the DRs listed above;
- Figure 1b offers a great visual representation of what is required by ESRS 2 GOV-2 (part in green). We recommend relabeling that part “IRO governance” instead of “IRO universe” (which is quite broad and could be confusing);

Figure 1 b): Relationship between the materiality assessment and the undertaking's business model, strategy and other decisions



- Similarly, Figure 1c is missing the disclosures required by the DRs listed above on the governance of the materiality assessment process.



- Consequently, the process described in paragraph 64 and represented in Figure 3 should include a Step regarding setting up the adequate governance structure for the materiality assessment process.

A reporting company not having an appropriate governance structure in place with oversight on the materiality assessment process will find great difficulty in complying with the DRs listed above and will find little to no help in the current version of the MAIG. Take for example Step D: Reporting (paragraphs 97-98). These paragraphs risk misleading the reporting company as they don't include that the reporting company is required to disclose on the DRs covering the governance oversight of the process listed above.

In light of these considerations, the suggested additions would be particularly helpful for the numerous organizations currently designing their double materiality processes and struggling to understand how the governance of such should be organized.

Additional comments and feedback were collected from the community of Datamaran's clients. Those are included in the section below.

We hope this feedback is helpful. Datamaran is eager to work with EFRAG on these aspects if helpful.

Sincerely,
The Datamaran team

Feedback from the Datamaran community

- We want to note that the timing and timeline of this consultation has been challenging, considering that the documents were released right before the Christmas holiday and at the height of the reporting season. Therefore, a longer consultation period given the circumstances would have allowed more preparers and experts to conduct a more thorough review and provide more detailed feedback and suggestions.
- We find the document very lengthy; it has many repetitions with the ESRS (European Sustainability Reporting Standard) original text (e.g., in paragraphs 34 a) and b), 122, 163, 190, 169, 212) and uses many cross references with the ESRS, which makes it difficult to follow. To fully understand the requirements and the associated guidance one must read the two documents simultaneously. This is already challenging as the ESRS Disclosure Requirements (DR) must be read in conjunction with the respective Application Requirements in the Appendix of the standards.
- It is noted that the document lacks flow and clear structure. It also has contradictions (please refer to point g. below for examples) about what should be disclosed, and how. We therefore include the following examples and suggestions:
 - Instead of discussing the different levels of stakeholders in paragraphs, a list and different stakeholder categories would be helpful.

- Instead of providing examples in text and green boxes, a comprehensive list of ESRS topics incl. Sub-topics/sub-topics with respective examples in one table would be appreciated.
- According to paragraph 18, there is currently no example of a sustainability statement prepared under the ESRS double materiality assessment requirements. We appreciate the acknowledgement as this is a key point which should in principle be covered in an IG. However, we would like to highlight that the lack of good examples and practices will result, especially in the first year of implementation, in different interpretations by stakeholders (i.e., preparers and auditors). It would be useful and appreciated to see in the next version of the MAIG a couple of good practice examples of CSRD (Corporate Sustainability Reporting Directives) compliant MA DR (e.g., IRO-1 and/or SBM-3).
- On page 12, Figure 1b), the single dotted arrow included in the legend has not been presented anywhere in the scheme. We suggest updating the figure and clarifying the meaning and purpose of all elements in the legend.
- On page 14, we find the “Interaction between impact and financial materiality” section particularly useful, especially the clarification about matters material due to impacts only and that in such cases disclosure of the associated risks and opportunities is not necessary.
- The flexibility around defining own materiality thresholds is appreciated given the wide range and variety of companies in scope of CSRD. However, it should be noted that this will affect the very core purpose of the CSRD and the ESRS, which is standardization of the reported information. We note with caution that this requirement will result in similar companies that use different materiality criteria and thresholds having different reporting scope. We therefore suggest that this issue is addressed in the upcoming sector-specific ESRS by including industry-relevant rules and requirements guiding the MA process.
- We find the step-by-step process to conduct MA (described on pages 20-26) difficult to follow. It does not provide concrete actionable steps, it does not set clear boundaries between material matters and material IROs (Impacts, Risks and Opportunities) and it does not define what is the right starting point of the process – impacts, IROs, matters (e.g. Paragraph 25 states the identification of material matters is the starting point, paragraph 36 implies identification of impacts is the first step, paragraph 44 states that the undertaking shall disclose its material IRO, which are in turn mapped to sustainability matters, paragraph 63 suggests the identification of material impacts as a starting point,

whereas paragraph 66 requests identification of actual and potential IROs related to sustainability matters). In our view, all stakeholders involved in the CSRD MA process will benefit from clarification of the procedure and as a next step having a more detailed guide (ideally a step-by-step how-to) on a sector-specific level. These clarifications will be crucial for ensuring a standardized scope of reporting under CSRD.

- Reporting SFDR (Sustainable Finance Disclosure Regulation) data points under CSRD: The IG specifies that data points derived from another EU regulation such as SFDR should be disclosed based on materiality (explicitly stating which points are omitted based on the CSRD materiality results). However, the IG does not give guidance on the extent to which SFDR points material under CSRD should be covered in the sustainability statement. Further clarification on the topic would be appreciated considering that SFDR requires entity-level disclosures and has no materiality, while CSRD requires group-level disclosures based on materiality.
- We welcome the reference to the EU Taxonomy and the examples on page 47, in section “5.7 FAQ (Frequently Asked Questions) on Art 8 EU Taxonomy”. We also find the level of detail in paragraph 224 a) and b) not appropriate considering the differences between the materiality approach of the ESRS and the EU Taxonomy disclosures. It is therefore recommended to only reference the EU Taxonomy as one of the internal processes that should inform the CSRD materiality assessment. In addition, we would suggest adding at least one example of how a financial undertaking should consider the Taxonomy-eligible activities in their materiality assessment.
- Reference to where the MA process could follow financial reporting would be appreciated, i.e., for when setting thresholds which would also help comparability.

About Datamaran

Datamaran is the leader in Smart ESG, enabling companies to identify and prioritize issues material to their operations, deepen their teams’ ESG knowledge, monitor risks and opportunities in real-time and authentically own their ESG strategy in-house. Supported by Datamaran, C-Suite from the world’s most trusted brands are confidently making data-driven decisions and taking their company’s ESG from one-off compliance-focused exercises to governance-centric initiatives that drive business value.