


CBSR Roundtable Sustainability reporting update: Materiality in focus

May 2025


Sustainability reporting landscape



The standard-setting and regulatory landscape is **continuing to evolve** both locally and internationally



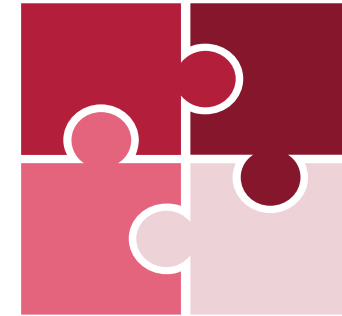
The **investor need for decision-useful** sustainability-related financial **information** remains present



Considering the investor perspective, the application of **financial materiality** to sustainability-related information is important

Connectivity and interoperability considerations

Connectivity considerations



Interoperability considerations

The definition of material information

In the **context of sustainability-related financial disclosures**, information is material if **omitting, misstating or obscuring** that information could reasonably be expected to influence **decisions that primary users** of general purpose financial reports make on the basis of those reports, which include financial statements and sustainability-related financial disclosures and which provide information about a specific reporting entity.

Connectivity considerations

ISSB Standards and IFRS Accounting Standards use aligned definitions of ‘material information’. This facilitates:

- connectivity in an entity’s general purpose financial reports; and
- a closer connection than if the entity’s sustainability-related information were provided using another definition of material information.

The ISSB Standards refer to ‘materiality of information’

Materiality is an entity-specific characteristic of *information*, consistent with IASB’s use of the term.

- ISSB Standards set out requirements that an entity applies in preparing sustainability-related financial disclosures.
- Materiality is used to assess whether *information* required by ISSB Standards would need to be disclosed by a particular entity.
- In other words, the definition of ‘material information’ is used as a **filter to assess whether information about a sustainability-related risk or opportunity would need to be provided by an entity to meet the requirements set out in ISSB Standards.**

Interoperability considerations

- ISSB Standards refer to ‘material information’ about sustainability-related risks and opportunities, whereas other standards use the term material/materiality differently:
 - ESRS refer to ‘material matters’, GRI Standards refer to ‘material topics’.
 - Commonly used in the context of a ‘materiality assessment’.
- Despite these differences, the definition of ‘material information’ in ISSB Standards is aligned with the corresponding definition used in ESRS related to ‘financial materiality’.

Primary users of general purpose financial reports

- ISSB Standards are designed to result in the provision of information that is useful to primary users.
- **Primary users are existing and potential investors, lenders and other creditors – this is the same audience that IFRS Accounting Standards focus on.**
- Primary users and their information needs:
 - Assumed to have a reasonable knowledge of business and economic activities.
 - Common information needs.
 - Consideration of both ‘existing’ and ‘potential’.

Could reasonably be expected to....

- An entity assesses whether information is material based on **whether that information** could reasonably be expected to **influence decisions of primary users**.
- Although **the entity itself makes this assessment**, it is **based on the perspective of primary users** and their information needs.

Interoperability considerations

This focus on the information needs of primary users distinguishes sustainability-related financial information under ISSB Standards from broader, multi-stakeholder sustainability reporting.

Sustainability-related risks and opportunities that could reasonably be expected to affect *an entity's prospects*

An entity's prospects refers to the entity's **cash flows**, its **access to finance** or **cost of capital** over the **short, medium or long term**.

The effects of sustainability-related risks and opportunities on an entity's cash flows, its access to finance or cost of capital include:

- the amount, timing and uncertainty of the entity's incoming and outgoing cash flows;
 - the entity's ability to obtain funding; and
 - the cost incurred by the entity to secure funding for its operations and investments.
- The effect of a sustainability-related risk or opportunity on an entity's **access to finance** and **cost of capital** brings in an **assessment of how other market participants might interact with the entity**.
 - The effects are assessed over the short-, medium- and long-term time horizons and the **time horizons can vary** among entities and depend on many factors.

ISSB context for material information

- Sustainability-related financial disclosures serve a **specified objective**:

Provide information about an entity's sustainability-related risks and opportunities that is useful to primary users of general purpose financial reports in making decisions about providing resources to the entity.

In applying ISSB Standards, and the definition of material information, an entity considers whether information is material in the context of this objective.

Connectivity considerations

- Although the definition of 'material information' is aligned with the definition of the same term in IFRS Accounting Standards, the **information required** to meet the objective of the respective general purpose financial reports **is distinct**.
- Sustainability-related financial disclosures:
 - **complement** information in an entity's financial statements;
 - likely include **more qualitative** and **forward-looking** information than financial statements;
 - provide information about sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects, whereas financial statements provide information about an entity's assets, liabilities, equity, income and expenses; and
 - will more often require consideration of **longer time periods** and information throughout the **value chain**.

A four-step process to identify and disclose material information

- An entity might find it helpful to follow a process to identify and disclose material information about its sustainability-related risks and opportunities.
- The four-step process described in the educational material is an example of such a process.

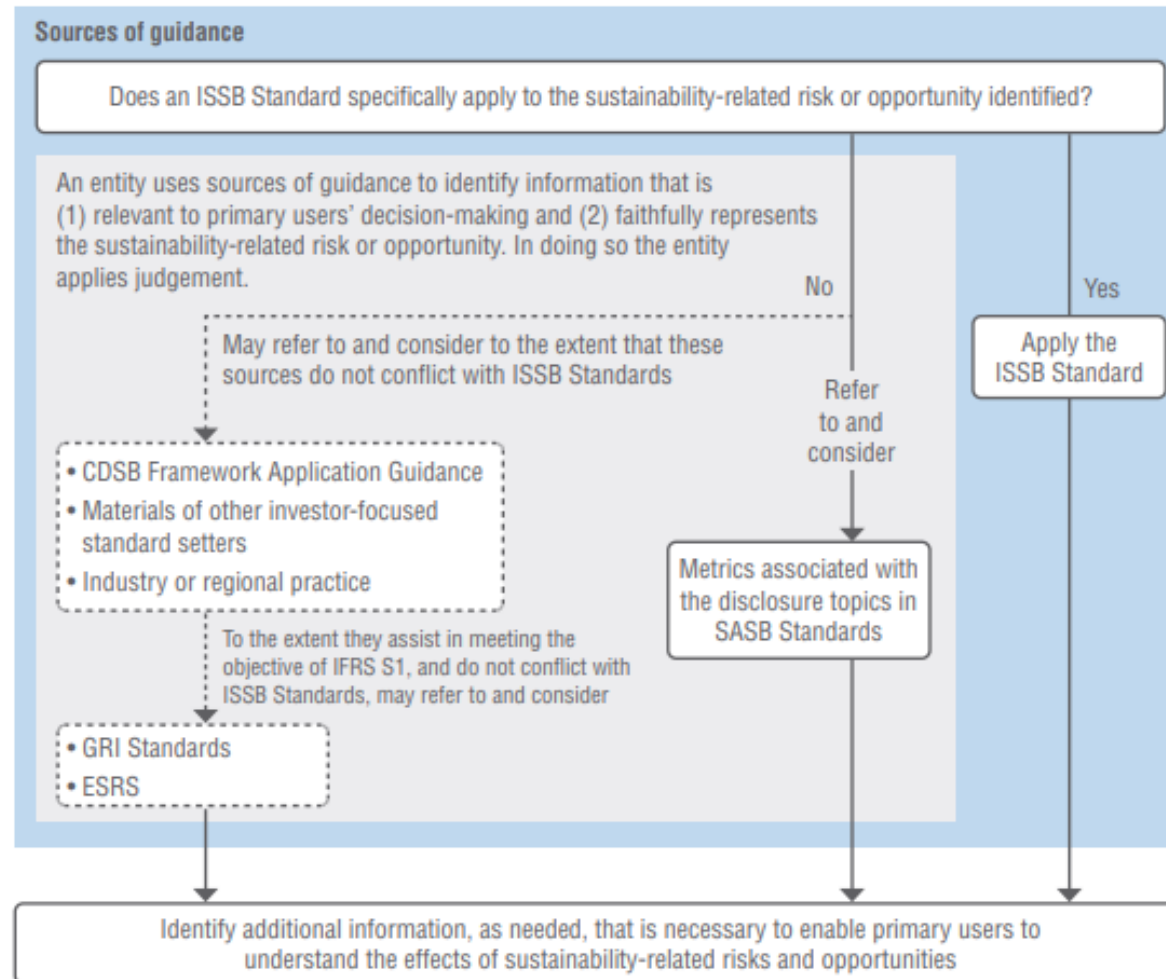


Connectivity considerations

This four-step process is similar to the ‘four-step materiality process’ illustrated in IFRS Practice Statement 2 *Making Materiality Judgements*.

Step One: Identify information about sustainability-related risks and opportunities that has the potential to be material

- An entity applies the requirements in ISSB Standards, including related to the use of sources of guidance.
- Additional information is required when that information is necessary to enable primary users to understand the effects of sustainability-related risks and opportunities on the entity's prospects.



The output of Step One is a set of potentially material information.

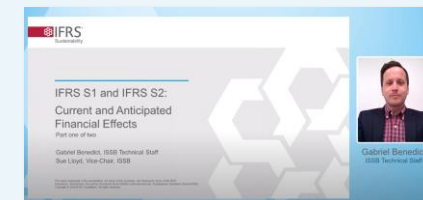
Q&A



IFRS Foundation educational resources



- **Sustainability-related risks and opportunities and the disclosure of material information**
([webcast series](#); [guide](#))
- **Current and anticipated financial effects of sustainability-related risks and opportunities**
([webcast series](#))
- **Connectivity between the financial statements and sustainability-related financial disclosures**
([webcast series](#))



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