

ISSB MATERIALITY CONSIDERATIONS

OVERVIEW

Materiality is a crucial concept in sustainability reporting, guiding companies on which information to disclose to provide a clear and comprehensive picture of their sustainability performance. The International Sustainability Standards Board (ISSB) defines materiality as information that could reasonably influence the decisions of primary users of financial reports. The ISSB's materiality considerations are primarily financial in nature, and companies make materiality judgments based on their own facts and circumstances.

DETAILS

Investor-Focused Materiality

The ISSB's approach to materiality is primarily investor-focused. It considers information material if omitting, misstating, or obscuring it could reasonably be expected to influence the decisions that investors and other primary users of general-purpose financial reports make on the basis of those reports. This approach ensures that sustainability disclosures are relevant and useful for investment decision-making.

The ISSB encourages companies to identify material information based on the specific circumstances of their business and industry. Companies need to consider the most relevant ESG factors that could impact their financial performance and position, as well as those that could influence investor decisions.



Materiality Judgement

A company is required to apply judgement to assess whether information is material—either individually or in combination with other information.

To align with the ISSB’s disclosure expectations and definition of materiality, each entity will need to consider what information is required for users to assess the effects of sustainability risks and opportunities, such as the effects of climate change on their financial position, financial performance and cashflows.

Stakeholder Engagement

While the ISSB’s primary focus is on investors, engaging with a broader range of stakeholders can still be a valuable component of determining materiality. Engaging with stakeholders, including employees, customers, suppliers, and communities, can help companies gain a deeper understanding of stakeholder concerns, expectations, and priorities. This broader engagement can inform a more comprehensive materiality assessment, even though it is not explicitly required by the ISSB standards.

Dynamic Materiality

The ISSB recognises that the significance of sustainability issues can change over time. This concept of dynamic materiality acknowledges that what is material today may not be material tomorrow, and vice versa. Companies are encouraged to regularly review and update their materiality assessments to reflect evolving stakeholder expectations, regulatory developments, and emerging sustainability trends. This approach ensures that sustainability reporting remains relevant and responsive to changing conditions.

Transparency and Disclosure

The ISSB places a strong emphasis on **transparency and comprehensive disclosure**. Companies are required to provide clear and detailed explanations of their materiality assessment processes, including the criteria used and the rationale behind their conclusions. This transparency enhances the credibility and reliability of sustainability reports, allowing stakeholders to understand the basis of the disclosed information.

Materiality is a foundational element of the ISSB’s sustainability reporting standards, ensuring that companies focus on the issues that matter most to their stakeholders and long-term success. By adopting a comprehensive approach to materiality, which includes stakeholder engagement, dynamic materiality, and transparency, companies can enhance the credibility of their sustainability reports and contribute to a more sustainable and resilient future.

For more detailed information on the applicability and timelines of the ISSB standards, please refer to the [IFRS ISSB](https://www.issb.org) website, or alternatively, contact us at info@envisionas.com.