
Sustainability-related risks and opportunities and the disclosure of material information

Session 4: Identifying and disclosing material information

Materiality guide: webcast series
March 2025

The focus of this webcast

1 Introduction and overview

2 The definition of material information and its application in ISSB Standards

3 Sustainability-related risks and opportunities that could reasonably be expected to affect an entity's prospects and its application in ISSB Standards

4 Identifying and disclosing material information

5 Closing remarks

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.

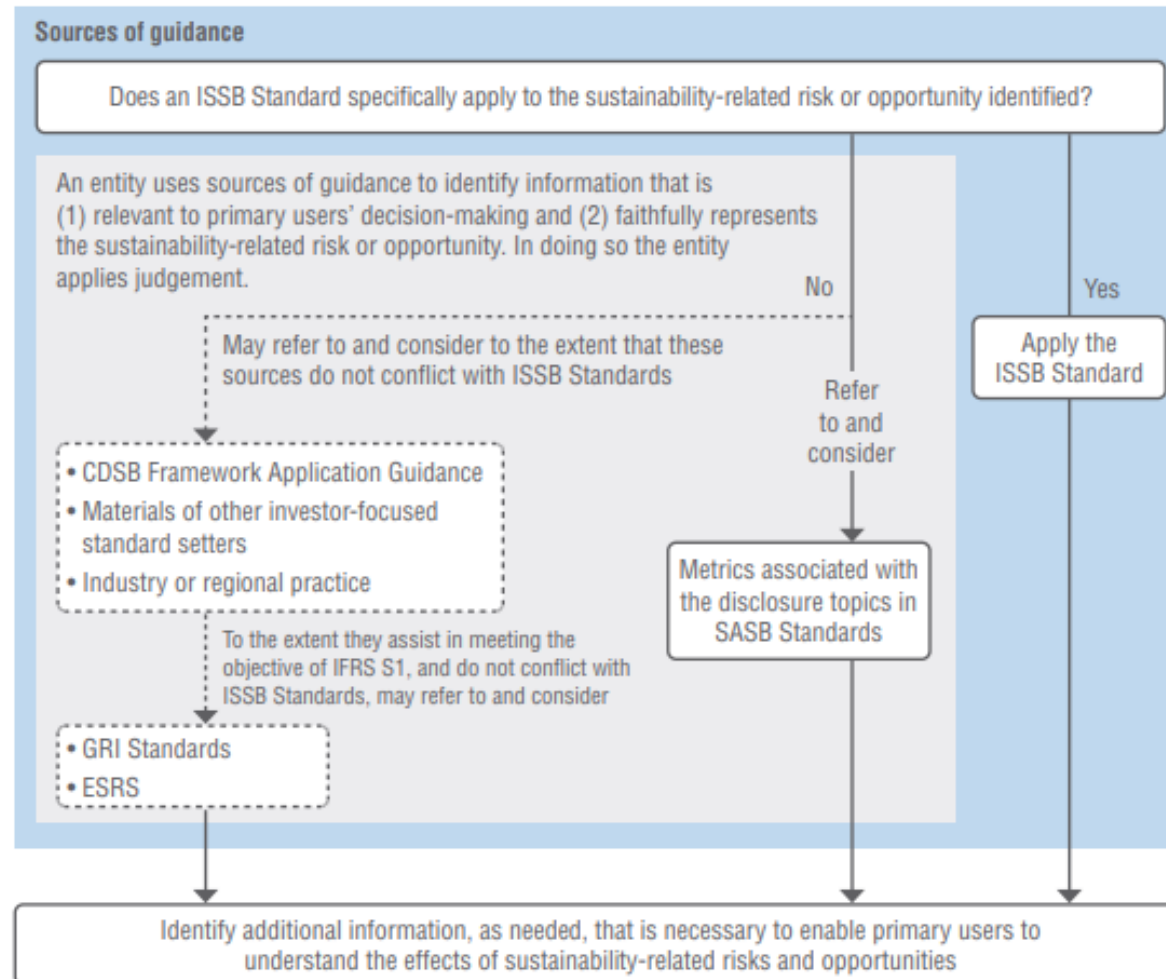


Connectivity considerations

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.

Step Two: Assess whether the potentially material information identified in Step One is, in fact, material

- This assessment requires the entity to **apply judgement**, taking into consideration its facts and circumstances.
- This step explains what an entity considers as it makes **materiality judgements**, including questions an entity might encounter when making materiality judgements, such as how to consider:

Qualitative and quantitative factors

Possible future events with uncertain outcomes

Changed circumstances and assumptions

The output of Step Two is a preliminary set of material information.

Step Three: Organise the information within the draft sustainability-related financial disclosures

- Organise preliminary set of material information in a way that **communicates information clearly and concisely** to primary users.
- Requirements related to the **judgements an entity will make** while organising material information include those related to:

Aggregating and
disaggregating information

Obscuring information

Disclosing material information
See next slide

- This step also explains other requirements in ISSB Standards related to the interaction of ISSB Standards and laws or regulations and to the disclosure of commercially sensitive information about opportunities.

The output of Step Three is draft sustainability-related financial disclosures.

Disclosing material information—dependencies and impacts

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.

Example:

- The objective of IFRS S1 is to **disclose information about sustainability-related risks and opportunities** that is useful to primary users (Chapter One).
- An entity's **dependencies and impacts** on resources and relationships **give rise to sustainability-related risks and opportunities** (Chapter Two).
- **Information about both dependencies and impacts could therefore be necessary** to enable a primary user's understanding of the effects of sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects.

Interoperability considerations

- In ESRS, impact materiality assessments consider how an entity impacts people or the environment. GRI Standards consider how an entity impacts the economy, environment, and people, including impacts on their human rights. This is sometimes referred to as an 'inside-out perspective'.
- Describing ISSB Standards as 'outside-in' is an incomplete, and therefore incorrect, description. The effect of an entity's activities on resources and relationships—including on people and the environment—might give rise to sustainability-related risks and opportunities that could reasonably be expected to affect the entity's prospects and thus are relevant when applying ISSB Standards.

Step Four: Review the draft sustainability-related financial disclosures

- In this step, the entity ‘steps back’ and considers its sustainability-related financial disclosures as a whole.
- An entity assesses whether information—either individually or in combination with other information—is material in the context of the entity’s sustainability-related financial disclosures taken as a whole.
- This review might lead an entity to reconsider its assessment in Step Two, and reassess some information presented in its draft sustainability-related financial disclosures.

Example considerations when determining whether all material information has been identified.

In performing this review, the entity considers whether:

- relevant relationships between different items of information have been identified.
- items of information that are individually immaterial are also immaterial in the aggregate.
- information is communicated in an effective and understandable way.
- the sustainability-related financial disclosures provide a fair presentation of an entity’s sustainability-related risks and opportunities.

The output of Step Four is the final sustainability-related financial disclosures

Follow us online

 [ifrs.org](https://www.ifrs.org)

 [@IFRSFoundation](https://twitter.com/IFRSFoundation)

 [IFRS Foundation](https://www.youtube.com/IFRSFoundation)

 [IFRS Sustainability Alliance](https://www.linkedin.com/company/ifrs-sustainability-alliance)