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What information is relevant for sustainability reporting? The concept of materiality and the EU Corporate Sustainability Reporting Directive

Authors: Mathilde Bossut, Ingmar Jürgens, Thomas Pioch, Frank Schiemann, Theresa Spandel, and Raphael Tietmeyer

At a glance

- Today, the demand for companies to disclose sustainability information is driven by a keen interest of a wide range of institutions, including governments, financial supervisory authorities, and financial investors.
- Sustainability disclosures are not only relevant in terms of their financial implications, but also inform for primarily environmental and social considerations.
- We explain how different definitions of materiality for sustainability disclosures consider the outside-in perspective (the impacts of external factors on a company) and the inside-out perspective (the impacts of a company on society and the environment).
- Research shows that regulatory guidance on the materiality definition matters and impacts capital market participants' evaluations of firm value.
- We recommend for the Corporate Sustainability Reporting Directive (CSRD) to rely on double materiality to capture both, the outside-in and inside-out perspective, while facilitating its operationalization.
- While the recent CSRD proposal marks progress by clarifying the principle of double materiality, it lacks guidance about which specific sustainability issues are material for which companies or sectors.
- We further recommend for the European Commission to provide regulatory guidance regarding the materiality of sustainability issues across different industries.

When companies report on non-financial aspects such as their environmental and social impact or governance, they need to decide what information is material for these reports. This policy brief addresses one of the key questions in light of this week's proposal for an EU Corporate Sustainability Reporting Directive (CSRD): Which definition of materiality is appropriate for sustainability reporting after the NFRD review (i.e. under the CSRD)? In the first two sections, we review the key objectives of the proposed CSRD's predecessor, the non-financial reporting directive (NFRD) and assess its key stakeholders. The third section introduces the prevalent definitions of materiality and reviews key insights of empirical research on the concept of materiality in the context of non-financial reporting. The final section combines the insights of all previous sections and provides our recommendations.

Purpose of the Non-Financial Reporting Directive

Adopted in October 2014, the non-financial reporting directive (NFRD)[1] has been developed in the context of the 2011 "renewed EU strategy for Corporate Social Responsibility"[2]. The strategy aims at improving the consideration of environmental, social and corporate governance (ESG) factors by European (financial and non-financial) corporates. In the European Union (EU), Corporate Social Responsibility (CSR) is defined via two dimensions. The first dimension focuses on firms "behaving in an accountable, responsible and transparent manner" while conducting their business. The second dimension relates to the contribution of corporate actors to "the society's interests and a route to a sustainable and inclusive recovery". In this context, the NFRD aims at improving transparency about corporate ESG performance and the identification of sustainability risks.

The past years have seen a substantial shift in the perception of the connections between climate change, real economy and financial markets. Since the NFRD adoption, the recognition of the link between financial markets' short time horizons and long-term effects of global warming[3] has increased. This has led market participants and regulators to increasingly consider ESG risks. For example, the European Central Bank (ECB)[4] and the G-20 Financial Stability Board[5], have recognised the risk climate change poses to the stability of the financial

[1] Directive 2014/95/EU of the European Parliament and of the Council of 22 October 2014 amending Directive 2013/34/EU as regards disclosure of non-financial and diversity information by certain large undertakings and groups Text with EEA relevance (available online, accessed on April 19, 2021. This applies to all other online sources in this policy brief unless stated otherwise)

[2] Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions. A renewed EU strategy 2011-14 for Corporate Social Responsibility (available online)

[3] Carney, Mark (2015) Breaking the tragedy of the horizon – climate change and financial stability (available online)

[4] European Central Bank (2019): Financial Stability Review (available online)

[5] Financial Stability Board (2020): The Implications of Climate Change for Financial Stability (available online)

system. Simultaneously, the Paris Agreement in December 2015[6] reinvigorated global climate action and included the shift of capital flows towards climate change mitigation and adaptation as one explicit priority.

The increased awareness of the important role finance has in achieving climate and broader sustainable development goals has been reflected in further European policy initiatives and reforms. In particular the 2018 Action Plan on financing sustainable growth[7] but also the 2019 European Green Deal[8] aim at boosting sustainable investment[9] and promoting a more sustainable financial system. This includes improving the "management of sustainability risks" and enhancing "transparency and long-termism in financial and economic activity"[7]

Today, the demand for companies to disclose non-financial information is driven by a keen interest of a wide range of institutions, including governments, financial supervisory authorities, and financial investors in non-financial disclosures (see Annex, table 1). Driven by European regulation of non-financial disclosures, increased shareholder activism, and peer pressure, an increasing share of financial institutions are endorsing the integration of ESG factors into their risk management and investment strategies. The ECB and national European central banks pay increased attention to the exposure of European financial markets to climate risks and aim at piloting climate stress tests. Furthermore, corporate disclosures are essential to member states when steering the transition towards a low-carbon, climate-resilient and sustainable economy. In general, the design of corporate non-financial disclosure regulation will provide the foundation and determine the success of basically all sustainable finance policies covered by the EU action plan or to be proposed under the renewed European sustainable finance strategy.

Existing corporate non-financial disclosure comes along with numerous challenges: data gaps, lack of comparability and standardisation, and lack of accessibility and reliability. Although mandatory ESG disclosure improves the availability of ESG information, it does not automatically lead to greater information quality (Chauvey, Giodano-Spring, Cho and Patten, 2015). In its current form and national transposition, the NFRD only partially limits the tendency of firms to cherry-pick their non-financial disclosure by reporting primarily non-material climate-risk information (Bingler, Kraus and Leippold, 2021). Furthermore, the NFRD

[6] United Nations Framework Convention on Climate Change (2015): Paris Agreement (available online)
[7] Communication From The Commission To The European Parliament, The European Council, The Council, The European Central Bank, The European Economic And Social Committee And The Committee Of The Regions. Action Plan: Financing Sustainable Growth (available online)
[8] Communication From The Commission To The European Parliament, The European Council, The Council, The European Economic And Social Committee And The Committee Of The Regions. The European Green Deal (available online)
[9] Communication From The Commission To The European Parliament, The Council, The European Economic And Social Committee And The Committee Of The Regions. Sustainable Europe Investment Plan (available online)

does not require disclosing climate-related information and the Commission's Non-Binding Guidelines on Reporting Climate-Related Information have so far had a limited effect. According to the Carbon Disclosure Project (CDP)[10] only 20% of companies falling under the scope of the NFRD disclosed their climate-related policies and only 25% disclosed all five elements of the business model suggested in the Guidelines in 2018. The NFRD reform reflects the fact that current rationales behind the need for corporate non-financial disclosures go beyond its initial purpose.

Use cases for non-financial disclosures - Actors involved

In the context of the overall sustainable finance agenda, disclosure plays a crucial role. On the one hand, disclosure of pertinent non-financial information has been shown to significantly reduce information asymmetry by providing analysts and investors with relevant information to inform their decision making and firm valuation (Juergens, Hessenius and Schiemann, 2020). This represents valuable information on the impact of ESG issues on the financial performance of assets (outside-in perspective), for example by better capturing ESG-related risks and assessing environmental liabilities especially for high polluting firms (Clarkson et al., 2015). Moreover, institutional as well as retail investors might also acquire relevant information allowing them to better manage their preferences in terms of environmental and social impacts of their investments (inside-out perspective). From an economic perspective, mandatory non-financial disclosure contributes to the efficiency of capital markets [11]. From a utilitarian and welfare perspective, this allows for better alignment of investments with (investor) preferences and vice versa.

On the other hand, mandatory corporate disclosure plays an important role for the coherency of European policies, in particular through the NFRD. First, corporate non-financial disclosures are an important prerequisite for the usability of the EU Taxonomy and its application in financial markets. This holds particularly true for financial instruments aiming for alignment with the EU Green Bonds Standards and the EU Ecolabel for financial products. Second, it is crucial for financial market participants falling under the scope of the "Sustainability-related Disclosures in the Financial Services Sector" (SFDR) to have access to relevant non-financial information for their own disclosure and reporting. Third, the availability of material ESG information improves the identification of systemic risks and threats to financial stability. Thus, corresponding risks could more easily be integrated in relevant models and frameworks for example stress-testing, monetary policy transmission mechanism.

[10] Carbon Disclosure Project (2018): Corporate climate and environmental disclosure under the EU non-financial reporting directive (available online)

[11] Wissenschaftsplattform Sustainable Finance and Klimaberichterstattung als Instrument zur CO2-Reduktion (2019): Verpflichtende klimabezogene Unternehmens-Berichterstattung als Mittel zur Reduzierung von CO2-Emissionen (available online)

The annex provides a short overview of relevant use-cases for disclosed ESG information and underlines two key issues:

1. ESG information is relevant for virtually all actors in the financial market.
2. Both, ESG risks (outside-in perspective) and impacts (inside-out perspective), are relevant.

Based on this, we further explore the issue of "relevance" and "importance" of ESG information and its disclosure, by turning to one of the central concepts of disclosure in general and the NFRD in particular: the definition of materiality.

Defining materiality under the NFRD

Definitions of Materiality in the context of non-financial information

While disclosure standards and discussions about their design build on the idea that "material" information shall be disclosed, the definitions of what constitutes material information differ. In current non-financial disclosure standards, guidance, and recommendations the following general understandings of "materiality" are promoted:

Financial Materiality

In September 2018, the Sustainability Accounting Standards Boards (SASB) published codified standards about ESG issues most relevant to the financial performance of firms in 77 industries. Thereby, the underlying definition for materiality follows the definition of the Security Exchange Commission's (SEC), which in turn is based on the definition provided by the US Supreme Court. It states that information is material when there is a "substantial likelihood that the disclosure of the omitted fact would have been viewed by the reasonable investor as having significantly altered the 'total mix' of information made available"[12]. The consultation paper of the International Financial Reporting Standards (IFRS) Foundation[13] considers a similar approach to the materiality definition.

While this definition is closely related to the understanding of materiality in the context of financial disclosures, it is inherently limited to only such non-financial information, which connects to the (future) financial performance of a firm. More specifically, this definition focusses on the outside-in perspective and, accordingly, only considers firms' *financial risks* due to ESG issues. However, negative ESG impacts (inside-out perspective) caused by a company, which are not directly connected to this company's (future) financial

[12] U.S. Supreme Court (1988): Basic, Inc. v. Levinson, 485 U.S. 224 (available online)

[13] International Financial Reporting Standards (IFRS) Foundation (2020) Consultation Paper on Sustainability Reporting (available online)

performance do not fall under this definition. Therefore, this understanding of materiality does not fully represent the objectives of the EU Action Plan on Financing Sustainable Growth[7].

Double Materiality

The concept of double materiality was introduced by the EU Commission in its non-binding "Guidelines on Non-Financial Reporting: Supplement on Reporting Climate-Related Information"[14]. It is also reflected in the NFRD, which requires firms to report about the policies firms implement in relation to environmental protection, social responsibility and treatment of employees; respect for human rights, anti-corruption and bribery and diversity on company boards[15]. Currently, the NFRD's reference to the company's "development, performance, position" refers to financial materiality, and the "impact of its activity" refers to non-financial (environmental and social) materiality.

The double materiality, therefore, considers both the outside-in and the inside-out perspective. This understanding of materiality considers a wider audience for the information disclosed because the impact of a company's activities is not only relevant for those investors who want to better understand the environmental and social impacts of their investments, but also for consumers, civil society, or employees. The CSRD relies on the principle of double materiality and clarifies that both, the outside-in and the inside-out perspective, have to be considered, meaning sustainability information shall be disclosed, which is material under both or either one of the two perspectives.

Stakeholder Materiality

The concept of stakeholder materiality actively addresses a company's relevant stakeholder groups. The Global Reporting Initative (GRI) Standard 101 provides a definition for stakeholder materiality. The standard includes a materiality principle, which is based on (i) the significance of the organization's economic, environmental, and social impacts and (ii) their substantive influence on the assessments and decisions of stakeholders[16]. The interests and expectations of stakeholders specifically invested in the organization should be identified and addressed.

The content of the non-financial report (i.e., which specific information will be included in the non-financial report) is decided upon the process of the stakeholder engagement. Companies rely on surveys, interviews or workshops with relevant stakeholder groups to understand, which information is relevant from the stakeholders' perspectives. Hence, the stakeholder

[14]European Commission (2019): Guidelines on Non-Financial Reporting: Supplement on Reporting Climate-Related Information (available online)
[15] European Commission (2020a): Non-financial reporting. EU rules require large companies to publish regular reports on the social and environmental impacts of their activities. (available online)
[16]Global Reporting Initiative (2020): GRI Standards English Language. (available online)

engagement process leads to firm-specific non-financial disclosure content. It is important to note that not all material topics are of equal importance and the emphasis in the respective report should reflect their relative priority. Also, the assessment of materiality is not only expected to comply with societal expectations, but also entities such as suppliers or customers.

Double materiality and stakeholder materiality differ in how they address the inside-out perspective. The main difference lies in the process of determining material issues. Under the stakeholder definition companies actively approach stakeholders, while double materiality definition builds on a more general consideration of environmental and social impacts. Stakeholders can serve as a control mechanism to ensure an appropriate understanding and consideration of the inside-out perspective (i.e. company's impact on stakeholders). Stakeholder engagement must, however, consider the representation and participation of all relevant stakeholders, which shifts the challenge from the definition of materiality to the identification of relevant stakeholders. On one hand, stakeholder materiality can be more comprehensive than double materiality, when stakeholders consider relevant impacts, which are not subsumed under environmental or social impacts. On the other hand, double materiality can be more comprehensive than stakeholder materiality. For example, when a material environmental impact occurs, which is not directly related to stakeholders considered as relevant by the company (e.g., biodiversity issues).

Comprehensive Materiality

The broadest focus of a materiality definition to date is the concept of comprehensive materiality, which is not yet applied by any standard setter. The concept of comprehensive materiality aims to include and consider the scope of all relevant stakeholder groups, even those which might not be able to fully represent themselves (e.g., nature in and of itself, biodiversity, local communities or marginalized groups, future generations). This means extending the relevant audiences by including the moral communities (e.g., future generations) but also a shift in the utility of nature in and of itself (Dardenne, 2010). The assessment of comprehensive materiality has to be updated before issuing sustainability disclosure and should include considerations about the entire value chain and a forward-looking perspective. Possible scopes could be derived from assessing the firms impact towards societal aims, such as the Sustainable Development Goals (SDG's) and their related thematic issues "water, energy, climate, oceans, urbanization, transport, science and technology"[17] or the EU Taxonomy for sustainable finance activities[18] with its aim to facilitate "balanced economic growth and a high level of protection and the improvement of the quality of the environment." This concept is in line with the statement of the Business Roundtable,

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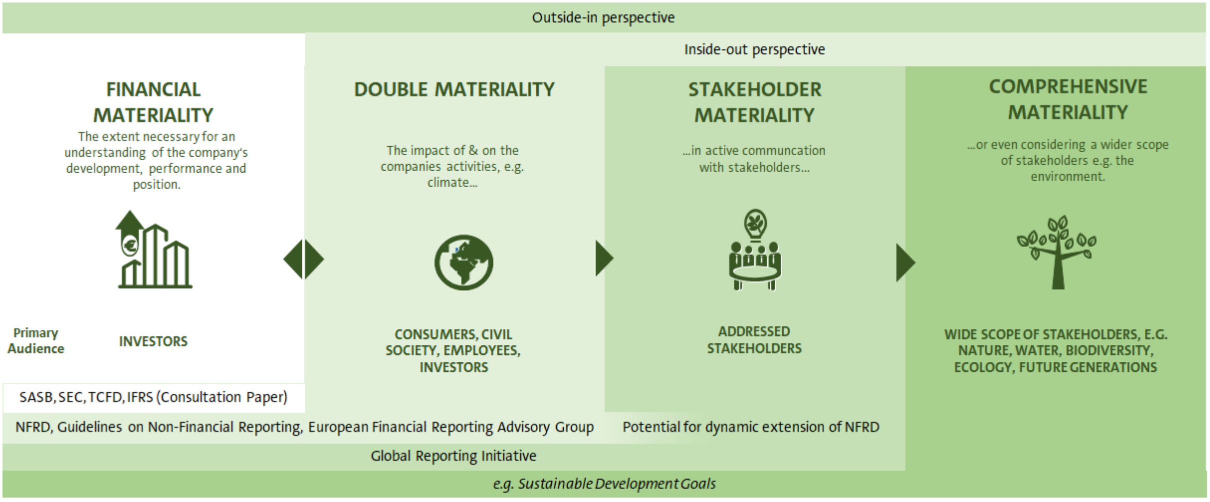
[17] United Nations (UN) (2021): The 17 Sustainable Development Goals. (available online)

[18]Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investment, and amending Regulation (EU) 2019/2088 (available online)

which advises to move away from Shareholder Primacy to a commitment towards long-term value creation for all stakeholders[19]. However, the wide focus of such a materiality concept entails problems of operationalizability, and to the best of our knowledge no disclosure recommendation or guideline explicitly relies on the concept of comprehensive materiality.

Figure 1: Concepts of materiality



Own representation as an extention of: https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:52019XC0620(01)&from=EN

Key Insights from research on the materiality of non-financial information

Capital markets account for financially material ESG issues

Empirical research on the materiality of non-financial disclosures is typically based on SASB's definition of materiality, which takes on an investors' perspective. SASB offers concrete guidance on which ESG issues are material for specific sectors from a financial perspective (see the SASB materiality map®). The SASB materiality map highlights, which ESG items are most relevant for the financial performance of firms in a given sector. Empirical studies verify that the SASB standards' classifications correctly indicate financially material and immaterial ESG issues, and highlight specific capital market consequences of financially material ESG disclosure and performance. Khan, Serafeim, and Yoon (2016), for instance, find that stock portfolios with good ratings on financially material ESG issues significantly outperform stock portfolios with poor ESG ratings for financially material items. The authors additionally report that superior ESG performance ratings on immaterial items are not associated with better financial performance. Grewal, Hauptmann, and Serafeim (2020) similarly highlight that firms' voluntarily disclosing financially material ESG information have higher stock price informativeness, while the effect is not found for disclosures on financially immaterial items. Another empirical study by Matsumura, Prakash, and Vera-Muñoz (2017) finds that

[19] Business Roundtable (2019): Business roundtable redefines the purpose of a corporation to promote 'An economy that serves all Americans' (available online)

firms, which disclose financially material climate change risks benefit from lower costs of equity, while the association is not found for firms that disclose financially immaterial climate change risks.

As all of the mentioned studies rely on the SASB standards to classify ESG items in terms of their financial materiality, the studies verify the SASB standards and show that capital markets accounts for financially material ESG issues (in line with the outside-in perspective). The capital market does not seem to account for financially immaterial issues, although some of these issues might be material to certain stakeholders (inside-out perspective).

Materiality as an ambiguous concept

Further studies highlight that materiality is (currently) a malleable and ambiguous concept. For example, Edgley, Jones & Atkins (2015) study the understanding of materiality in the context of social and environmental reporting assurance and report that different, localized interpretations of the concept of materiality emerge. The authors highlight that these different interpretations may be rational in their respective contexts, but are problematic for the creation of a consistent understanding of ESG materiality. Similarly, Reimsbach, Schiemann, Hahn and Schmiedchen (2020) use an experimental setting to investigate whether and in how far different stakeholder groups (employees and capital market participants) diverge with respect to the level of materiality they attribute to different ESG items. The authors find that different stakeholder groups do indeed perceive ESG items' materiality differently: potential employees perceive non-financial information per se as more material than capital market participants do. Further, capital market participants perceive the topic of energy as more material than the topic of biodiversity, while both topics are equally material to potential employees. Fasan and Mio (2017) study the determinants of disclosures regarding firms' materiality determination process (the extent to which companies disclose the materiality determination process). Their results are consistent with a 'conflicting' vision of the materiality determination process: different stakeholder groups compete to have their issues classified as material, at the expense of other stakeholders. Linking these findings back to the insights highlighted above, namely that capital markets account for financially material ESG items, the importance of regulation, which captures ESG items material to stakeholder groups beyond capital market participants is clear.

The performative role of standards and regulation in the context of materiality

Spandel, Schiemann and Hoepner (2020) highlight how non-financial accounting standards on ESG materialities impact the perception of capital market participants regarding which items are understood as material, and are thus accounted for. The authors report a negative capital market reaction following the SASB standards' publication for firms with low material ESG performance and a positive capital market reaction for firms with high material ESG performance. The reactions are attributed to the standards and their impact on perceptions, as the capital market reactions occur in the days following the releases of the standards, while no changes in underlying ESG performances or disclosures occur at that time. Following the same logic, Rogers and Serafeim (2019) introduce a framework showing how non-financial issues become financially material and argue that issues that are perceived as immaterial in the absence of regulation can become material when regulation is introduced and specifically that increased regulation on an issue increases its (perceived) materiality.

In summary, a number of academic studies highlight that while financially material ESG issues are increasingly considered by capital markets, financially immaterial items, which might be material to stakeholders beyond capital market participants, are not (yet) accounted for by market mechanisms. It is therefore essential that policy makers identify and address those items specifically. Further, research highlights that the concept of materiality is ambiguous, and different understandings, interpretations and perceptions currently co-exist. In this context, the definitions that underlie related accounting standards and regulations matter and are of performative nature: they influence the evolving understandings about materiality, and whose perspectives the concept encompasses.

Recommendations

As outlined above, there are different perspectives on and definitions of materiality in the context of sustainability disclosures. In light of the NFRD's key objectives and stakeholders (sections 1 and 2) and against the backdrop of the empirical findings (section 3.2), the question arises, which definition of materiality is most suitable from a standard setter's perspective and for the CSRD. We argue that the stakeholder perspective and the double materiality approach correspond closest with the aims of the CSRD, the NFRD, and the EU Action Plan on Financing Sustainable Growth. However, the current definition of financial materiality only considers the shareholder view and, accordingly, only captures the outside-in perspective. This one-sided perspective cannot fully represent the aims of the CSRD, the NFRD, and the EU Action Plan on Financing Sustainable Growth.

Double materiality and stakeholder materiality are not limited to the outside-in perspective, but extend to the inside-out perspective and consider a company's impact on ESG issues. The double materiality principle is not only applied indirectly in the NFRD (through the non-binding "Guidelines on Non-Financial Reporting"), but further clarified in the CSRD. Thereby, it follows the recommendation of the European Financial Reporting Advisory Group (EFRAG)[20]. The double materiality principle offers a sufficiently operationalizable approach that both, firms and regulatory bodies, have already been able to gain experience with. This makes the double materiality principle a good fit for the CSRD.

[20] European Financial Reporting Advisory Group (2021): Proposal for a Relevant and Dynamic EU Sustainability Reporting Standard-Setting (available online)

Relying on a definition of stakeholder materiality facilitates active stakeholder engagement by companies to identify material topics. However, this approach seems difficult to operationalize, when the identification of relevant stakeholders is not clear and the process itself might lead to different understandings of material topics depending on the selection of the participating stakeholders. The concept of comprehensive materiality seems best suited to address sustainable finance issues in the broadest sense and would demand a consideration of a company's impacts on stakeholder groups, which are not able represent themselves (i.e., future generations, nature in and of itself). However, we see no current approach towards a useful operationalization of this perspective and, accordingly, cannot recommend its adaption, yet.

While the CSRD adopts and further clarifies the principle of double materiality, it does not yet provide guidance regarding which specific sustainability issues are material for which companies. Of course, leaving the identification of material topics to the companies will not increase data availability, comparability, and standardization. Therefore, we recommend the EU commission to provide regulatory guidance regarding the materiality of sustainability issues across different industries. For example, the SASB provides a materiality matrix identifying material topics on an industry-level. However, the SASB only considers a financial materiality perspective. Another approach might be to connect to the EU taxonomy – at least for the six environmental dimensions that will be covered by the taxonomy.

Our discussions above, including the empirical findings, highlight that adopting the definition of double materiality is crucial,

I. as financial issues are already accounted for by the market, while issues material to stakeholders beyond shareholders are not accounted for (to the same extent), and
II. because it will contribute to the perception of materiality in the context of ESG information and performance, which is otherwise at risk of being established in narrow financial terms.
III. and regulatory guidance regarding the materiality of sustainability issues can increase data availability, comparability and standardization.

This policy brief discussed the different understandings of materiality in the context of sustainability disclosure. We agree with the CSRD's approach to rely on double materiality to capture both, the outside-in and inside-out perspective, while facilitating operationalization. For the European Commission, we recommend to provide regulatory guidance regarding the materiality of sustainability issues across different industries. Of course, the materiality principle cannot only be applied to the question of "What to report?", but also to the question "Who should report?". We address the latter question regarding the use of the materiality principle for defining the scope of disclosure in a separate policy brief.

Mathilde Bossut is a Green Finance Consultant at the FS-UNEP Research Centre|
M.Bossut@int.fs.de

Ingmar Jürgens is a Sustainable Finance Advisor at the FS-UNEP Research Centre |
Ingmar@climcom.de

Thomas Pioch is a Research Associate at the Professorship of Accounting at the University of Hamburg | thomas.pioch@uni-hamburg.de

Frank Schiemann is a Professor of Accounting at the University of Hamburg |
frank.schiemann@uni-hamburg.de

Theresa Spandel is a Research Associate at the Professorship of Accounting at the University of Hamburg | theresa.spandel@uni-hamburg.de

Raphael Tietmeyer is a Research Associate at the Professorship of Accounting at the University of Hamburg | raphael.tietmeyer@uni-hamburg.de

Annex

Actors	Activities potentially facilitated by the NFRD	Relevant legislation, guidelines and other frameworks	Definition of materiality
EU Governments	"Monitoring the consistency of financial flows with a pathway towards low greenhouse gas emissions and climate-resilient development"	Paris Agreement, Art. 2.1.c	Stakeholder materiality
	Fostering a differentiated understanding of the distribution of environmental impacts across the corporate sector, to inform future environmental policy design	COM/2018/097 EU Action Plan on financing a sustainable growth	Double materiality
	Shaping international disclosure and reporting standards	COM/2019/640 on the European Green Deal	Double materiality
ESCB	"Maintaining price stability"	TFEU, Art. 127. 1 & Art 127.5	Financial materiality
	"Contributing to the prudential supervision of credit institutions and the stability of the financial system"	TFEU, Art. 127. 1 & Art 127.5	Financial materiality
	"Without prejudice to the objective of price stability", the Eurosystem shall also "support the general economic policies in the Union with a view to contributing to the achievement of the objectives of the Union". These include inter alia "full employment" and "balanced economic growth"."	TFEU, Art 127	Double materiality
European financial institutions	"Considering climate-related and environmental risks when formulating and implementing their business strategy and governance and risk management frameworks"	ECB non-binding Guidelines on climate related and environmental risks – supervisory expectations on relating to risks management and disclosure EIOPA "Technical Advice on the integration of sustainability risks and factors in the delegated acts under Solvency II and IDD"	Financial materiality
Incl. European financial advisers, asset managers and all entities offering financial	Reporting information about the consideration of existing adverse sustainability impacts, the integration of sustainability risks, and adopted policies on	Directive 2016/2341 amended by the Regulation 2019/2088 on sustainability-related	Double materiality

products where they manage clients' money	the integration of sustainability risks in their investment decision-making process	disclosure in the financial services sector	
Corporates	Fostering an "accountable, transparent and responsible business behaviour and sustainable growth" incl. improving self-assessment and the transparency on the ESG performance of market competitors	Resolution 2012/2098 "Corporate Social Responsibility: accountable, transparent and responsible business behaviour and sustainable growth"	Double materiality
	"Promoting society's interests and a route to sustainable and inclusive recovery"	Resolution 2012/2097 "Corporate Social Responsibility: promoting society's interests and a route to sustainable and inclusive recovery"	Double materiality
Shareholders	Adopting a "long-term shareholder engagement […] including as regards environmental, social and governance factors"	Directive 2007/36/EC amended by the Directive 2017/828 as regards the encouragement of long-term shareholder engagement (Shareholder Rights Directive II)	Double materiality
Retail customers	"Aligning their investment decisions with their sustainability preferences"	EU prospectus directive 2017/1129	Double materiality
Stakeholders, consumer protection associations	Accessing greater transparency about ESG performance of companies to inform their opinions and their actions, for example in terms of consumption decisions	n/a	Stakeholder materiality
Research/Science	Mobilising comparable data at firm level, to inform (empirical) analysis, model parametrisation, etc.; such research could a/o target the effectiveness of environmental policy and hence inform policy making	n/a	Comprehensive materiality

Notes:
When determining the most relevant definition of materiality to each actor's aims and activities, we opted for a careful consideration. When having doubt, we rather chose a lower level of materiality. In general, the table shows that the financial materiality does not address all needs of European actors. Even actors primarily focusing on financial materiality could profit from a double materiality approach. (e.g. The ECB and European central banks are demonstrating a growing interest for ESG impact)

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About the project

The **Sustainable Finance Research Platform** is a network of five German research institutions that have been conducting intensive research on sustainable finance for many years.

The aim of the platform is to provide scientific support in answering key social, political and private sector questions, to provide established and emerging knowledge and to play an advisory role in the political and public discourse. In this context, the platform also supports the work of the Sustainable Finance Advisory Board of the Federal Government by providing research-based inputs, feedback and a critical evidence-based perspective. In addition, the platform aims at establishing sustainable finance as an important theme in the German research landscape, while ensuring close links with European and international institutions and processes**.**

More information can be found on the project's website **wpsf.de.**

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