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Materiality in The Context of Sustainability

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Abstract
Materiality is a hotly debated topic, not only at the financial level but also at the sustainability level. Until a few years ago, multiple bodies (d standards regarding reporting inherent to sustainability. Currently, we are seeing a consolidation of various bodies into one Board and the emergence of very close collaborations between bodies giving these standards. This reduces the definitions of materiality, which were marked by even considerable differences in the past. In the following pages, we will highlight the central bodies that (standards concerning sustainability and the definition of materiality contained in these standards alla sostenibilitàCurrently, there is a consolidation of several bodies into a single OA body, with very close cooperation between bodies issuing standards. This reduces the definitions of materiality, which in the past, were marked by differences even known i. On the following pages, we will highlight the main bodies issuing standards concerning sustainability and is the definition of materiality contained in these standards.

Keywords: Sustainability, Materiality, Relevance, Materiality in the Context of Sustainability, Double Materiality.

Materiality: e relevance of materiality from financial reporting to reporting regarding sustainability[1].

Materiality was developed in financial reporting aimed at outside companies for the first time. Holmes 1972 Highlights how the concept of materiality was introduced into the common law, for the first time, by the English Court in 1867. This Court used the term materiality by interpreting it as "material and not negligible." in Britain, therefore unlike in other countries such as Italy, for example, yes rich it was recognized as no fraud was material error could be allowed in the area of corporate disclosure intended for external in. In the 1930s, after the great crisis, the United States of America also began to address this, and identify a more specific concept of materiality. In SEC Regulation X-S, 3-06 of 1933, it was stated that "the term "material", when used to qualify a requirement for the furnishing of information as to any subject, limits the information required to those matters as to which an average prudent investor ought reasonably to be informed before purchasing the security registered," SEC, Regulation S-X, Rule 3-06, 1933.

This definition originates from the motivations of the great crisis of 1929. It intended to provide certainty to an average investor so that anyone could, impartially and neutrally, make their own investment decisions. That is, intended to safeguard the vulnerability of investors through a rule that could prevent companies from withholding important information from third parties outside the companies. "The traditional association in professional accounting guidance between materiality and significant errors and omissions for the safety of the reasonable investor, can be traced back to judicial discourses in a landmark UK case, Rex versus Kylsant 1932. At the heart of the dispute, was the practice of supplementing profit measurement through undisclosed transfers from secret reserves. Reserve accounting was considered prudent and useful for management by eminent practitioners Edwards, 1976.

The court viewed the matter from an investor's perspective, where non-disclosure could imply that an investment was safe, when the position was otherwise. In the Court of Criminal Appeal, Mr. Justice Avory stated "the document as a whole may be false not because of what it states, but because of what it does not state, because of what it implies," Edgley, 2014.

"Although the company auditor was acquitted, the ruling highlighted serious flaws in practitioner judgement Ashton, 1986 . The impact of the case, which Camfferman 1998 has compared to a bomb that disrupted the accountancy world, was interesting in two respects. First, accountants were thereafter

[1]To facilitate reading, I have decided not to include in the text, except in exceptional cases, the names of the scholars who have dealt with the subject under analysis. I have opted not to indicate all the terms of the scholars in the text because this would have meant a continuous interruption of the reading of the complete sentence in which I express my thought. References are placed at the end of the article.

expected not just to comply with the law but to use ethical and moral judgement in making materiality decisions. The case reportedly had a greater subsequent impact on audit practices than all previous case law and legislation Camfferman, 1998. Second, the idea of a material item was extended to omitted data and not just errors Edwards, 1989 . This style of reasoning underpinned the future development of materiality in professional guidance." Edgley 2014.

A precise and unambiguous definition of materiality does not exist. Every accounting body, author, and scholar has illustrated their idea of materiality. Among the meanings that are clearest in interpreting the concept analyzed here are those provided by Frishkoff and Kohler's dictionary for accountants in the USA.

Frishkoff affermava che "Let us define materiality in accounting thus: the relative, quantitative importance of some piece of financial information, to a user, in the context of a decision to be made". Frishkoff 1970. Inoltre, questo autore evidenziava che "Let us define materiality in accounting thus: the relative, quantitative importance of some piece of financial information, to a user, in the context of a decision to be made," Frishkoff, 1970.

In the 1950s, Kohler's dictionary for accountants in the US defined materiality as:
"the characteristic attaching to a statement, fact, or item whereby its disclosure or the method of giving it expression would be likely to influence the judgment of a reasonable person," Kohler, 1952, A few years later, the American Accounting Association AAA produced the following definition, A few years later, AAA identified the following concept of materiality: "An item should be regarded as material if there is reason to believe that knowledge of it would influence the decisions of an informed investor," AAA, 1957, p. 8.

In 1967, i.e., a century after intervention by the English Court, an accounting body, specifically the Institute of Chartered Accountants in England and Wales ICAEW, addressed the (of materiality with Accounting Recommendation 2.301. In the guidance of that accounting body, in 1967, it was stated that "interpretation f material in relation to accounts…deve essere considerato. .. in an accounting sense. A matter is materiali f knoledge of the matter woulk be likely to influence the user of financial or ogher statements under consideration. The use of the word material in relation to accountin matters is inteded to allow scope for differente interpretation accoinding to the variety of circumstances which can arise. It is non possibile or desidderable gherefore to give a definition of material in the senso of formula which can be applied mechanically".

As can be seen, ICAEW, in the above recommendation, points out that the concept of materiality cannot be constrained within a mathematical framework of percentages and must be applied to the economic environment in which it is interpreted.

In the 1970s, various authors attempted to illustrate the concept of materiality in a pragmatic, perhaps unscholarly but very clear manner. Hicks 1964 stated.:" materiality means simply this: if it doesn't really matter, don't bother with it,". This author also pointed out that "if financial statements are to be prepared and examined with anything approaching reasonable economy…without such a rule, unwarranted amounts of time would almost certainly be spent on insignificant matters, and financial statements would undoubtedly be cluttered with useless or unimportant information, obscuring the necessary and important facts and relationships they are intended to convey," "To help keep the subject in perspective…the concept is widely and frequently used. For example, when a business executive, applying the technique of "management by exception", cuts through to the matters of significance, he is recognizing materiality. When the president of a corporation, presenting non-financial data in reports to stockholders, prunes away details, he is recognizing materialit "Hicks, 1964 . While Bernstein believed that "the concept of materiality is part of the wisdom of life. Its basic meaning is that there is no need to be concerned with what is not important or with what does not matter. Man's work is burdensome enough without his having to pay attention to trivia": Bernstein, 1973.

In the 1980s, the materiality concept was often linked to exceeding certain quantitatively determined error thresholds. In this regard, one may recall the statements contained in the principles (d by FASB AND ASB in 1999. "Materiality judgments are concerned with screens or thresholds. Is an item, an error, or an omission large enough, considering its nature and the attendant circumstances, to pass over the threshold that separates material from immaterial items?" FASB, 1980.

Edgley fa notare come "Materiality was represented in SFAC 2 as a pervasive, base constraint, underpinning all other concepts FASB, 1980 . This in ved a consideration of materiality as a buttress for other related concepts, particularly relevance and reliability.

In contrast, the ASB represented materiality, diagrammatically, as a supra threshold, positioned above other concepts. Materiality constituted "the final test" of what information should be included in financial statements ASB, 1999, paragraph 3.28. The concept was also portrayed as a cut-off point IASB, 1989 which is a term associated with capital budgeting, risk appraisal and capital investment decisions.
This distinct, scientific territory in discourses has emphasised the importance of an understanding of materiality, as a standardised process, where a foundation for decision-making is neutral. The appeal of science in shaping materiality discourses was probably engendered by auditors as a means of providing evidence to support judgments, rebut criticism and deflect possible problems with litigation." Edgley 2014.

As can be seen, in the various doctrinal and inherent passages in regulations or standards (by national or international accounting bodies in the past decades, there was no mention of the concept of relevance. Materiality was the central concept related to corporate disclosure, and all pragmatic doctrinal and accounting contributions focused on this concept.

The following will show how, at present, the two concepts coexist: relevance and materiality. However, the clear distinction between the two concepts is not always perceived since, often, the two concepts intersect and overlap, creating non small amount of confusion for the reader and the national translators. They must translate into the local language documents drafted in English. From what we will report in the preceding pages, it can see that the concept of materiality is markedly more cited and in-depth than that of relevance which is relegated to second place even though, as will be shown, the concept of materiality is often understood as a part of the concept of relevance.

After outlining the current situation regarding the application of the two concepts of relevance and materiality, it will be possible to consider whether, perhaps, especially in certain documents, it would not be appropriate to simplify the (by merging the two terms and giving the chosen term the meaning of the whole of the two concepts mentioned above.

After such beginnings, the concept of materiality was constantly studied, analyzed, and deepened by both doctrine and law. However, the most significant deepening of this term is due to the standards (d by various international bodies, which, in addressing the (of sustainability, also delved into the subject of materiality in a particularly analytical manner. Examples include the IAS/IFRS standards, IFAC ISA Standards No. 320 and 450, the Italian ISA and Italian audit standards, the standards in Sec Regulation, and the standards (d by Fasb and Aipca. Of course, all these standards are marked by differences, more or less relevant, regarding the concept of materiality Avi, 2022.

A similar problem has occurred in the area of sustainability. Concerning this (the temporal beginning of the deepening of the concept of materiality is decidedly more recent than the one highlighted above that occurred about financial information. This is due to the temporal shift of the idea of sustainability itself, anticipated by the so-called social report, social-environmental report, integrated report and sustainability report.

Since the subject of sustainability began to arouse interest in the doctrine, law, international bodies that dealt with corporate communication, and jurisprudence, it is evident that the insights of everything that was related to corporate communication in the context of this subject, including materiality, also took place several decades later than what can be seen in the area of financial information. It can place the matter of corporate social responsibility at the international level in the 1970s. However, it should point out that in Italy and other countries, for example, well before this decade, one can find writings by authors who highlighted the relationship that it was desirable for companies to have towards workers. However, they were specific and uncommon cases and did not fit into a broad concept of corporate communication. These mainly were personal positions of some authors, often influenced by the author's religious views. Therefore, it is impossible to speak of writings in the 1940s and 1950s related to sustainability except for these sporadic cases. In the 1970s, on the other hand, the (began to be addressed in a narrow way, mainly by doctrine. In the face of this doctrinal debate, which became more and more intense, international bodies also adapted and began to (standards concerning the sustainability within which it addressed materiality and relevance).

With time, in the following decades, this issue has been the subject of increasingly rigorous and widespread study by the doctrine. This has also influenced the legislation enacted in various countries. In the 1990s, it can see that references in the legislation of different countries to sustainability issues in financial statements or documents annexed to them began to be identified. In the 1980s and 1990s, however, there was no in-depth consideration of materiality at the legislative level. However, in the standards issued by international bodies, this issue was also beginning to be addressed.

In recent decades, the issue of sustainability has become central to the doctrinal debate. As a result, the topic of materiality and relevance has also become an issue that has been examined in depth by all the international organisations that have the task of issuing reference standards for companies that are required by law to draw up non-financial balance sheets.

Within the framework of the principles issued on the subject of corporate communication relating to sustainability, many bodies have addressed this issue. In this article, we will consider only the main ones without setting ourselves the goal of making an exhaustive analysis of every small body that has set itself the goal of issuing sustainability principles that have had or still have little relevance in the international or even national sphere of the various countries.

AA1000

The AA1000 or AccountAbility 1000 standard is a principle for assessing the achievement of corporate social objectives in sustainability.

This standard was first issued in 1999 by the Institute of Social and Ethical Accountability. This standard focuses on the quality of the processes by which companies implement 'social and ethical accounting, auditing and reporting.

In 2003, two fundamental principles were issued: AA1000APS and AA1000AS.

In 2013, the document 'Redefining Materiality II: Why it Matters, Who's in ved and what it means for Corporate Leaders and Boards' was issued. This document states, "Materiality is like packing a backpack for a hike: you can only bring the critical supplies. Otherwise, the weight will slow you down and eventually bring you to your knees".

In the cited document, Materiality is explained in great detail. In particular, it should note that it states: "How to respond to new definitions of materiality as applied to corporate

performance and disclosure poses one of the biggest challenges facing boards and senior executives. Traditionally, materiality has been defined through the lens of financial reporting. Now, there's a powerful and growing movement to apply a more expansive definition that includes disclosure of the risks and opportunities posed by sustainability (s such as climate change, human rights, and board accountability. In addition to the substantive (s affecting environmental, social, and governance ESG domains, other features of this new materiality framework include: longer time horizons in which to gauge impacts on corporate performance, greater uncertainty concerning outcomes, and the views of a wider group of stakeholders who impact, and are impacted by, corporate behavior.

To remain competitive, firms need to develop new perspectives and processes on materiality that include the ability to: Discern which (s are most material to the company, its stakeholders, industry, and the wider operating environment. This is especially important because the materiality of sustainability (s continues to oscillate, with their impacts occurring over different time frames; Develop appropriate mechanisms and processes that enable continual learning and assessment of material priorities, and how performance improvements can occur; Manage materiality, based on these insights, in ways that anchor sustainability (s at the heart of acompany's operating system; Disclose on a timely and transparent basis both progress and impacts of sustainability commitments within a wider context where they actually are felt.

Taken together, this means CEOs, senior managers, and boards need to gear up for a wider, more sophisticated, and—in some cases—mandatory framework for corporate disclosure. The emerging global conversation on materiality—carried out by prominent players in the financial, regulatory, investor, ratings and information providers, and public interest communities—has widened the aperture on corporate reporting and valuation. No longer restricted to purely financial indicators or single such as climate risk or conflict minerals, materiality now includes a range of sustainability affecting "multiple capitals." These "multiple capitals" sometimes called "vital capitals" build upon earlier efforts to value "intangibles," and refer to the "stock" and/or "flow" of financial, human, social, natural, built environment, and intellectual assets.' As a whole, they constitute a truer picture of the "value" of business enterprise, incorporating so-called "intangible" assets that now represent 80 percent of corporate valuation.

They also call for better forms of measurement and management, to achieve peak performance. Multiple capitals theory is central to current work of the Sustainability Accounting Standards Board SASB , the International Integrated Reporting Council IIRC, 2 and the Global Initiative for Sustainability Rating GIRS.

New materiality management calls for a different outlook on reporting and valuation—one that needs to be effectively managed and wired into a firm's operating system. Over time, the materiality lens will have implications for multiple operating areas. They will range from; risk and compliance to strategy setting, corporate policy and governance, management practices including stakeholder engagement, and even human resource management.

New materiality management also calls for a different leadership mindset on productivity, execution, and learning. It means boards and senior executives will need to learn about and stay up-to-date on the landscape of materiality. Wiring new materiality management into the operating system means that many job descriptions will now include ESG (s in addition to strictly financial ones. This calls for new behaviors that meet new performance expectations, in ways that build upon what people already know about ESG materiality , and cross-pollinate with the expertise of others.

It means developing employee capacity to learn more about them on an iterative, ongoing basis, crossing knowledge and practice domains, learning to use interactive technology, and relying on multiple feedback loops to avoid becoming off-target or out-of-date.

New materiality management in a digital/Big Data era also calls for the application of rigor and discernment on priority ESG to avoid getting lost in the weeds. This means smart deployment of digital searches, Big Data platforms, reliable information sources, and direct, face-to-face encounters—both to solve and manage crucial problems "What's going on in our supply chains?" and assure accurate disclosure to different stakeholders."

"The Materiality Framework demonstrates how business strategy, reporting, engagement, and performance can be aligned with environmental, social, and governance:

- What's new and why it matters: meaning managing materiality as a tool to identify and prioritize key that fall outside of traditional risk or financial management processes, but have long-term implications for the firm.
- "Who's Who" among the array of actors that are driving these new definitions and frameworks, and their long-term goals, objectives, and time frames.
- How to take a disciplined approach to determining and prioritizing materiality. AccountAbility's pioneering framework is a good example, providing a structured roadmap for determining and embedding material in an integrated way. It has informed the work of current materiality reforms See Appendix for a fuller description . With or without future mandatory sustainability reporting, this approach enables companies to efficiently target their resources on those matters deemed material to its sector and stakeholders, rather than waste time on immaterial that carry little risk or strategic value other than possible reputational benefits.
- What lies ahead that will shape the future of "materiality" discussions, and achieve enhanced competitive and sustainable performance. This includes such as sustainability context-based approaches to materiality. Context-based approaches move the needle on strategy

and goal-setting from company-specific ESG goals and metrics “intentions” to those tied to wider ESG thresholds that sustain and improve the environmental and social context in which firms operate “impact”.

“Public concerns about materiality originated with the legislation creating the Securities and Exchange Commission SEC in 1934. It continued with subsequent interpretations of its mandate to require disclosure of information for the protection of investors and the public interest. The SEC has continued to rule that qualitative, as well as quantitative, data can be considered material for disclosure purposes, even though financial disclosure has dominated. Core to the definition of materiality is the notion that corporate information is material if its omission or misstatement would influence decisions made by general users of the information.

Definitions of materiality and related guidance for financial reporting have evidenceover the years, as new interpretations of materiality principles were adopted by standard setters, regulators, and international organizations. Their interest in materiality is much bigger than the environment because other non-financial areas have financial implications across the sustainability spectrum. That’s what AccountAbility set out to do in 1998 with the AA1000 Series of Standards, and what the Global Reporting Initiative GRI continued with issuance and periodic update of its Sustainability Reporting Guidelines. The GRI’s most recent reporting guidelines, called “G4,” were released in late May.

A key difference embodied by GRI and AccountAbility is that greater emphasis is placed on broader “users” of information, beyond investors or shareholders, who are directly engaged in the process of definition and standards setting.

Global Conversations

More recently, several simultaneous global conversations about expanding and codifying materiality are underway. They push the boundary even further, and are interpreted in different ways, depending on scale, scope, and geography. What they hold in common is a belief in new frameworks, timeframes, and metrics. Their focus: climate risk, political contributions, human rights, supply chain integrity, bribery and corruption, diversity, product quality and safety, and corporate governance. According to noted authors Robert G. Eccles, Michael P. Kaus, Jean Rogers, and George Serafeim, most definitions and interpretations of materiality are “principles-based” and fairly genera1.1° AccountAbility’s AA1000 Standards are principles-based. In the U.S., materiality is rules-based. General guidance for both approaches occur within clearly defined accounting standards—a Generally Accepted Accounting Principles GAAP in the U.S., the International Financial Reporting Standards IFRS everywhere else—promulgated by groups such as the Financial Accounting Standards Board FASB in the U.S. and the International Accounting Standards Board IASB throughout the rest of the world. The authors Eccles et al. argue for a way of defining materiality that accommodates both rules-based and principles-based approaches.

At a corporate level, the challenge is not only to stay abreast of these conversations, but also to apply a methodology that’s robust enough to define those (in anticipation of new disclosure requirements, and embed them into business models and long-term strategy.

Key questions become: How will you know which are the most important environmental, social, and governance (s that affect competitive performance, including brand, reputation, and customer base? Who are you going to ask to answer this question, and how will you prioritize the answers? Once you’ve done that, how will you weave these sustainability risks and opportunities into your business strategy?

Early attempts to do this often in a creation of a “materiality matrix,” which featured (s considered important to both companies on one axis and stakeholders on the other axis . While useful as a preliminary map, the effectiveness of materiality matrices is somewhat limited. That’s because they often don’t show the priorities of different groups, or the industrial benchmarks used by peers and investors to compare performance, or characteristics such as “innovation” that represent resilience and adaptability to changing times. They also don’t show key sustainability performance indicators within an industry, or provide for future disruptive events or changes in stakeholder priorities that may change the mix.

Traditional assessments of financial materiality take an overly myopic view of what drives business performance.

Just as AccountAbility did in 2006 see Appendix , a new approach to materiality needs to focus on what is important to the business. But it needs to do this with a wider focus, in order to capture:

- longer-term view of the (s that could affect the success of its strategy.
- A wider view of the people whose actions influence performance, and who therefore need sound information to guide their judgments.
- A deeper view of the information necessary for sound decision making, including where necessary both financial and non-financial data, and forward as well as backward looking indications of performance.”

With regard to Implications and Actions for CEOs, Boards, and Senior Executives, the document we analysed states that the key implications of the principles set out in the document are:

1. Understand developments in the definition of nonfinancial materiality their strategic importance and how they impact your company’s performance.
2. Ensure that material sustainability are effectively managed and develop new partnerships.
3. Manage for the future by making dynamic, emergent learning a priority”

In 2018/2020, the following principles were issued, which completely replaced those previously issued:

- AA1000AP 2018: Developing, analyzing, and implementing sustainability initiatives. The foundation of our Series of Standards, the AA1000AP 2018 is an internationally accepted, principles-based framework that guides organizations through the process of identifying, prioritizing, and responding to sustainability challenges, with the goal of improving long-term performance
- AA1000SES, 2015, Creating and conducting inclusive sustainability-related stakeholder engagement practices. The AA1000 Stakeholder Engagement Standard AA1000SES is the most widely applied global stakeholder engagement standard, supporting organizations in their efforts to assess, design, and implement an integrated approach to stakeholder engagement, and to communicate fairly and accurately with stakeholders and the public about those efforts
- AAA1000Asv3, Assuring credibility in reporting on progress toward sustainability goals. The AA1000 Assurance Standard AA1000AS v3 is the leading methodology used by sustainability professionals worldwide for sustainability-related assurance engagements, to assess the nature and extent to which an organization adheres to the AccountAbility Principles. The AA1000AS v3 is administered through an e-licensing system for AccountAbility-licensed assurance providers.

Il concetto di materiality è affrontato in maniera specifica nel primo principio citato ovvero nel AA1000AP. In tale standard, sono individuati 4 AccountAbility principles così sintetizzati: "The Principle of Impact is of central importance to the accountability process and supports the interactions between Inclusivity, Materiality and Responsiveness. The AccountAbility Principles are meant to guide not only the internal operations of an organisation, but also the management of its value chain, including its suppliers, business partners and customers."

According to the drafting of AA1000AP, the advantages of effective implementation of this principle can be summarised as follows:

- Provides affiliation with an internationally recognised and accepted principles-based approach to long-term performance management;
- Complements, and can be used with, other international, national, sectoral and/or topic-driven sustainability-related standards, frameworks and guidelines;
- When used in combination with the forthcoming AA1000 Assurance Standard 2019 by AccountAbility-licensed assurance providers, the AA1000AP: — improves confidence in disclosures, building trust and credibility regarding the quality of one's publicly disclosed information on sustainability performance; — draws conclusions on the alignment, quality and rigour of an organisation's overall management and reporting practices with the fundamental AA1000 AccountAbility Principles; — demonstrates external assurance of sustainability management and non-financial performance in line with the AccountAbility Principles;
- Establishes a responsive framework to capture stakeholder sentiment, build trust, and ultimately improve stakeholder relations;
- Drives effective governance practices and thereby improves an organisation's risk profile; Improves organisational efficiency and the effective allocation of resources; and
- Enhances the robustness, accountability and relevance of decisions made by the organisation".

In the context of this principle, materiality takes on particular relevance and in fact an entire chapter is dedicated to this issue. In AA1000AP it is pointed out that "Materiality relates to identifying and prioritising the most relevant sustainability topics, taking into account the effect each topic has on an organisation and its stakeholders. A material topic is a topic that will substantively influence and impact the assessments, decisions, actions and performance of an organisation and/or its stakeholders in the short, medium and/or long term".

The principle goes on to emphasise that "Determining materiality. Traditionally the term materiality has been defined in the context of financial reporting. However, its meaning now includes the disclosure of risks and opportunities posed by sustainability topics that affect the environmental, social and governance ESG domains impacting organisational performance and/or stakeholders in the short, medium and/or long term. What is meant by short, medium and long term should be defined by an organisation in line with its own expectations and reporting requirements. AccountAbility prioritises a principles-based process of materiality, one that should be used in conjunction to the extent possible with a rules-based process of materiality relevant to the organisation and its regulatory environment See also 'Scope' on Page 13 . To make informed decisions and take calculated actions, an organisation and its stakeholders need to identify the topics that are material to the sustainability performance of the organisation. Material topics are those that will also affect the behaviour of the organisation and its stakeholders. Determining which topics are material requires a materiality determination process Figure 3 , which evaluates both the actual and likely impacts of an organisation's strategy, governance and activities, including: • the identification and fair representation of topics relative to an organisation's sector, industry, geography, business model and structure; • the development of clear, balanced and replicable assessment criteria; and • an assessment approach that is integrated into organisational processes."

Concerning collecting and analysing inputs, undertaking the assesment and about the actual impact, AA1000AP emphasises that:

Collecting and Analysing Inputs

The materiality determination process should be designed to ensure that comprehensive and balanced information is considered and analysed. An organisation needs input from all relevant sources and stakeholders, including both internal and external sources, covering an appropriate time period. Such

inputs include a broad range of information beyond financial information and drivers, including stakeholder profiles, stakeholder concerns and suggestions, societal and peer-based norms, sustainability context, macroeconomic and geopolitical factors, and appropriate policy, reporting and regulatory frameworks. Analysis of the collected information needs to include consideration of sustainability drivers, which may include financial impacts, and should account for the needs, interests and priorities of the organisation and its stakeholders. It is the organisation that is ultimately responsible for determining, understanding and communicating its material sustainability topics.

Undertaking the Assessment

The materiality determination or assessment process should be undertaken regularly and aligned with the organisation's processes for strategy development, decision-making, risk and compliance management, operational management and reporting. It should also be clearly documented and, when completed, disclosed to stakeholders. An effective materiality assessment provides an organisation with a comprehensive understanding of its sustainability context, which topics are material or not, and to whom these topics are material and why. An organisation's material topics will issue over time as topics mature, drivers fluctuate, and understanding improves based on additional stakeholder input. Material topics also will issue if and when an organisation includes its value chain in its sustainability performance management.

Considering likely as well as Actual Impacts

Given this continuous e ution, evaluating both the actual and likely impacts of an organisation's strategy, governance and activities is all the more important. The magnitude of impacts assessed as likely during one assessment can increase or decrease during subsequent assessments, notably when an actual impact becomes better understood. Regularly assessing the solution of likely impacts will support the accuracy, relevance and effectiveness of an organisation's overall materiality determination process over time".

Per quanto riguarda i required adherence criteria, il principio qui analizzato afferma che" the following action items are designed to guide organisations in both applying the Principle of Materiality and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation's enactment of the Principle.

Commitment, Integration & Capacity Building

- Establish an organisation-wide, robust, systematic and ongoing materiality determination process under the governance of senior management, including key cross-functional in vement.
- Ensure integration of the assessment process across the organisation, including through relevant processes, such as risk management and compliance with laws, regulations, and internal policies and procedures.
- Provide the necessary competencies and resources to apply the results of the materiality assessment process.

Materiality Determination

- Set consistent and clear boundaries, as well as a purpose, time period and scope, for the materiality assessment, with underlying assumptions appropriately documented.
- Identify and fairly represent topics from a wide range of sources.
- Evaluate the relevance of identified material sustainability topics based on suitable and explicit criteria*.
- Determine the significance, likelihood, and present and expected future impact of identified material sustainability topics, using appropriate criteria and thresholds
- Take into account the sustainability, macroeconomic, geopolitical and regulatory contexts and maturity of topics and concerns, allowing for industryrelated, geographical, cultural and operational-level differences.
- Include a means of addressing conflicts or dilemmas arising from diverging or conflicting expectations regarding material topics.

Communication

Create and disclose a comprehensive and balanced understanding and prioritisation of material sustainability topics for the organisation and its stakeholders. * Criteria and/or thresholds that are credible, clear and understandable as well as replicable, defensible and can be subject to external assurance".

In merito al principio di responsiveness, si fa un ulteriore riferimento alla materiality. Si afferma infatti che "esponsiveness comprises when and how an organisation responds to material sustainability topics and their related impacts on its external and internal stakeholders. An effective response is aligned with the organisation's objectives and integrated into its strategy, taking into account identified material topics and their related impacts Figure 4. Responses may include establishing policies, objectives and targets; enhancing governance structures; developing or advancing management systems and processes; developing or implementing action plans; engaging stakeholders; measuring and monitoring sustainability performance and impacts; reporting; issuing communications; and/or achieving assurance.

Prioritising Responses

Since responses will compete for available resources within an organisation, they, like material topics, should be prioritised and addressed in a timely manner.

Response prioritisation should align with:

- organisational strategies and operations;
- outcomes of materiality and impact assessments;
- stakeholder interests and/or legitimacy;
- availability of resources;
- internal management and reporting schedules and timelines; and
- regulatory reporting requirements".

Regarding the principle of impact, the AA1000AP, points out that "Impact is the effect of behaviour, performance and/or outcomes, on the part of individuals or an organisation, on the economy, the environment, society, stakeholders or the organisation itself. Material topics have potential direct and indirect impacts — which may be positive or negative, intended or unintended, expected or realised, and short, medium or long term".

Addressing the impact issue, the abovementioned principle elaborates on measuring impact and informing engagement and compensation practice. In this part of the principle, further consideration is given to materiality. Indeed, the AA1000AP principle states that: "MEASURING IMPACT Impact can encompass a range of environmental, social and governance topics and can be measured on a local, regional or global level. The monitoring, measurement and evaluation of impact may be qualitative, quantitative or monetised in nature. It can also focus on an immediate or a longer-term time period, depending on the sustainability context. The processes of monitoring, measuring and evaluating impact should consider science, ethics, laws, regulations and context-based metrics. Because a number of key variables should be considered when assessing impact, organisations should adopt an approach that is consistent and documented but also flexible enough to consider:

- strategic and operational intent;
- maturity of sustainability management;
- a variety of boundaries and scopes, including geographical area, cultural context, organisational activity, ranges of one's value chain; and
- various timeframes. In measuring an identified impact, organisations should consider all sources that may also contribute to the impact, to reduce the possibility of attributing the impact incorrectly. Further, a structured analysis of the probability of impacts should be included.

Informing Engagement and Compensation Practices

Identified impacts should be incorporated into both stakeholder engagement and the periodic materiality assessment process to inform organisational governance, strategy, goal-setting and operations, thus enabling more informed decision-making and greater responsiveness .Linking short- and long-term management remuneration to organisational impact through the performance management system is an effective method of integrating impact into decision making. Impact should inform relevant people management, work accountability and compensation practices within an organisation.

Disclosing Impact

Impact should be measured and disclosed in the most balanced and effective way possible, indicating both realised and unrealised goals and taking into account the target audience and objective of the disclosure.

Required Adherece Criteria about Disclosing Impact

The following action items are designed to guide organisations in both applying the Principle of Impact and monitoring their own progress in its application. Fulfilment of the criteria leads to adherence with the Principle. These criteria are also used by assurance providers to assess an organisation's enactment of the Principle.

Commitment, Integration & Capacity Building

- Perform robust processes to understand, measure, evaluate and manage the organisation's impacts that are applied across the organisation under the governance of senior management, including key cross-functional.
- Ensure these processes are documented and integrated into the organisation, including through relevant organisational processes such as risk management, compliance, strategy development and performance management.
- Provide the necessary competencies and resources to understand, measure, evaluate and manage the organisation's impacts.
- Integrate identified impacts into key management processes, for example, the materiality assessment process and organisational strategy, governance, goal-setting and operations.

Impact Identification & Metrics Development

- Set consistent and clear boundaries, as well as a purpose, time period and scope, for impact assessment, with underlying assumptions appropriately documented.
- Establish processes to understand, measure, evaluate and manage impacts that are credible, clear and understandable as well as replicable, defensible and can be subject to external assurance.
- Include a means of capturing and measuring actual as well as potential impacts, such as direct and indirect, intended and unintended, and positive and negative impacts.
- Identify and fairly represent impacts from a wide range of sources, such as activities, policies, programmes, decisions, and products and services, as well as any related performance. Furthermore, the sustainability context of each impact should be clearly understood.
- Present impacts as a qualitative, quantitative or monetised measurement.

IMPACT ASSESSMENT & DISCLOSURE

Create and disclose a comprehensive and balanced understanding of the measurement and evaluation of the organisation's impacts on stakeholders and on the organisation itself".

At the end of the principle, the issue of adherence and assurance is addressed. On this issue, in principle AA100AP states that "organisations must complete adoption of all four Principles Figure 6 to be considered in adherence with the AccountAbility Principles. An organisation should formally document evidence of adherence to the criteria; this will notably be required in the case of an assurance process against the Principles. Adherence by reporting organisations is assessed through the AA1000AS by assurance providers licensed by AccountAbility. This assessment takes into consideration the maturity and size of the reporting organisation.

Adherence to INCLUSIVITY ensures that all relevant perspectives of stakeholders are considered in determining materiality and impact for the formulation of relevant and commensurate responses.

Adherence to MATERIALITY ensures that the most relevant and significant topics and underlying drivers impacting an organisation and its stakeholders are identified and prioritised for an appropriate response.

Adherence to RESPONSIVENESS ensures the decisions, actions and performance of an organisation, including communications, incorporate material topics and their related impacts.

Adherence to IMPACT ensures the monitoring, measurement and evaluation of the effects of an organisation's behaviour, performance and outcomes on the economy, the environment, society, stakeholders and the organisation itself".

As can be seen from the above, the AA1000AP principle deals with the issue of materiality in great depth, which is why it was decided to report the exact content of the principle on the subject of this article.

GRI Standard

Dalla documentazione ufficale del GRI, si può leggere che tale associazione was founded in Boston in 1997 following public outcry over the environmental damage of the Exxon Valdez oil spill.

Le roots lie in the non-profit organizations CERES and the Tellus Institute with in vement of the Enviroment . The aim was to create the first accountability mechanism to ensure companies adhere to responsible environmental conduct principles, which was then broadened to include social, economic and governance.

The first version of what was then the GRI Guidelines G1 published in 2000 – providing the first global framework for sustainability reporting. The following year, GRI was established as an independent, non-profit institution. In 2002, GRI relocated to Amsterdam, The Netherlands, and the first update to the guidelines G2 launched. As demand for GRI reporting and uptake from organizations steadily grew, the guidelines were expanded and improved, leading to G3 2006 and G4 2013.

With participation in sustainability reporting spreading around the world, GRI started opening a series of regional offices. This led to the current netword of hubs being established in Brazil 2007 , China 2009, India 2010, USA 2011, South Africa 2013, Colombia 2014 and Singapore 2019 . GRI global conferences were held in Amsterdam in 2006, 2008, 2010 and 2016, with a focus on more regular regional or virtual summits since.

In 2016, GRI transitioned from providing guidelines to setting the first global standards for sustainability reporting – the GRI Standards. The standards continue to be updated and added to, including new Topic Standards onTax 2019 and Waste 2020.

In 2021, the GRI principles were profoundly modified to make these standards more adherent to the economic-social reality of this historical period. In the following pages, we will highlight the differences that can be identified between the GRI principles of 2016 and those of 2021, focusing on materiality, the object of our specific interest.

The principles issued in 2021 by GRI are described as follows by the body that gave them:" The GRI Standards are a modular system of interconnected standards. They allow organizations to publicly report the impacts of their activities in a structured way that is transparent to stakeholders and other interested parties. This Short Introduction will: • give new users of the GRI Standards an overview of how the Standards are set up, and equip them to start working with the various elements in ved in the reporting process; • be of assistance to experienced users in gaining an understanding of changes in the system and the role of the GRI Sector Standards; and • aid stakeholders and other information users such as analysts and policymakers to understand how the reporting process works and what to look for in a report. Three series of Standards support the reporting process: the GRI Topic Standards, each dedicated to a particular topic and listing disclosures relevant to that topic; the GRI Sector Standards, applicable to specific sectors; and the GRI Universal Standards, which apply to all organizations. Using these Standards to determine what topics are material relevant to report on helps organizations indicate their contributions – positive or negative – towards sustainable development. Who uses the GRI Standards, and who uses the reported information? Any organization, large or small, public or private, from any sector or location, can use the GRI Standards. Reporters, stakeholders, and other information users draw on the Standards. Reporters within an organization use the Standards to report on the organization's impacts in a credible way that is comparable over time and in relation to other organizations. The Standards also help stakeholders and other information users understand what is expected from an organization to report on and use the information published by organizations in various ways. The organization can use the disclosed information to assess its policies and strategies or to guide decisionmaking, such as setting goals and targets. Stakeholders can also use this information. For example, investors can use the reported information to assess how an organization integrates sustainable development into its strategy to identify financial risks and evaluate its long-term success. The information provided can also help other information users, such as analysts and policymakers in benchmarking and forming policy, and academics in their research.

The Structure of the GRI Standards The GRI Standards are a modular system comprising three series of Standards: the GRI Universal Standards, the GRI Sector Standards, and the GRI Topic Standards. Each Standard begins with a detailed explanation of how to use it. The Standards contain disclosures,

which provide a structured means for an organization to report information about itself and its impacts. The disclosures can have requirements and can also include recommendations. Requirements list the information an organization must report or instructions it must comply with and report in accordance with the GRI Standards. Recommendations indicate that certain information, or a particular course of action, is encouraged though not compulsory. Guidance to facilitate understanding can include background information, explanations, and examples. GRI Universal Standards The GRI Universal Standards apply to all organizations, and consist of the following:

- **GRI 1:** Foundation 2021 GRI 1 outlines the purpose of the GRI Standards, clarifies critical concepts, and explains how to use the Standards. It lists the requirements that an organization must comply with to report in accordance with the GRI Standards. It also specifies the principles – such as accuracy, balance, and verifiability – fundamental to good-quality reporting.
- **GRI 2:** General Disclosures 2021 GRI 2 contains disclosures relating to details about an organization's structure and reporting practices; activities and workers; governance; strategy; policies; practices; and stakeholder engagement. These give insight into the organization's profile and scale, and help in providing a context for understanding an organization's impacts.
- **GRI 3:** Material Topics 2021 GRI 3 explains the steps by which an organization can determine the topics most relevant to its impacts, its material topics, and describes how the Sector Standards are used in this process. It also contains disclosures for reporting its list of material topics; the process by which the organization has determined its material topics; and how it manages each topic. GRI Sector Standards The GRI Sector Standards intend to increase the quality, completeness, and consistency of reporting by organizations. Standards will be developed for 40 sectors, starting with those with the highest impact, such as oil and gas, agriculture, aquaculture, and fishing. The Standards list topics that are likely to be material for most organizations in a given sector, and indicate relevant disclosures to report on these topics. If an applicable Sector Standard is available, an organization is obliged 'required' to use it when reporting with the GRI Standards. Each Sector Standard consists of an initial section that gives an overview of the sector's characteristics, including the activities and business relationships that can underpin its impacts. The main section of the Standard then lists the likely material topics for the sector. Topic by topic, the most significant impacts associated with the sector are described in this section. Each topic description points to the relevant disclosures in the Topic Standards for the organization to report. A Sector Standard may also list additional disclosures that are not in a Topic Standard, for example, where the disclosures from the Topic Standard do not provide sufficient information about the organization's impacts concerning the topic. The topics and associated disclosures are determined using sector-specific evidence, international instruments, and advice from sector experts. Consequently, they reflect theexpectations of a wide range of stakeholders regarding the management of impacts in the sector. GRI Topic Standards The GRI Topic Standards contain disclosures for providing information on topics. Examples include Standards on waste, occupational health and safety, and tax. Each Standard incorporates an overview of the topic and disclosures specific to the topic and how an organization manages its associated impacts. An organization selects those Topic Standards that correspond to the material topics it has determined and uses them for reporting.

The Reporting Process

The foundation of sustainability reporting is for an organization to identify and prioritize its impacts on the economy, environment, and people - to be transparent about their impacts. GRI 1 is the starting point for all organizations reporting using the GRI Standards in that it lays out key concepts and principles, and lists the requirements for reporting in accordance with the GRI Standards. Identifying and assessing impacts Identifying its impacts and assessing their significance is part of an organization's day-to-day activity, which varies according to its specific circumstances. The Sector Standards are of help at this point in that they describe the characteristics of a sector that underlie its impacts. The topics and impacts listed in the Sector Standards provide a valuable means of identifying an organization's impacts. An organization needs to consider the impacts described, and decide whether these impacts apply to it. Understanding an organization's context is a crucial factor in identifying and assessing the significance of its impacts. GRI 2 aids in this process by specifying disclosures in detail for different aspects of an organization's activities reporting practices, governance. GRI 3 explains step-bystep how to identify and assess impacts together with their significance. Determining material topics Once an organization has assessed the significance of its impacts, it needs to decide on which to report. To do this, it needs to prioritize the impacts. Grouping the impacts into topics such as 'water and effluents' or 'child labor' facilitates this, as it indicates what topics are most relevant to the organization's activities - its material topics. GRI 3 also contains a step-by-step explanation of how to organize this grouping. To report in accordance with the GRI Standards, an organization needs to document the process by which it determined its material topics, and the disclosures contained in GRI 3 facilitate this. Again, the Sector Standards are part of the process of determining material topics. An organization should test its selection of material topics against the topics in the applicable Sector Standard. This helps the organization ensure that it has not overlooked any topics that are likely to be material for the sector. If an applicable Sector Standard is available, then an organization is obliged to use it when reporting in accordance with the GRI Standards. Using the Sector Standards is not a substitute for determining material topics, but an aid. However, the organization still needs to consider its specific circumstances when selecting its material topics. Reporting disclosures An organization that has determined its material topics needs to gather relevant data to report specific information on each

topic. The topics in a Sector Standard list specific disclosures from the Topic Standards identified for reporting on the topic by an organization in the sector. Where relevant, additional disclosures specific to the sector are included. The disclosures in the Topic Standards specify the information that needs to be collected to report according to the GRI Standards. Together with the disclosures from GRI 2 and GRI 3, they provide a structured way of reporting this information. If an organization cannot comply with the particular reporting requirements, it is in certain instances permitted to omit the information, provided that a valid reason is given for the omission. In addition to the requirements listed under these disclosures, there are also recommendations and guidance that would add to the quality and transparency of a report.

Reporting in accordance with the GRI Standards The GRI Standards allow an organization to report information in a way that covers all its most significant impacts on the economy, environment, and people, or to focus only on specific topics, such as climate change or child labor. GRI recommends reporting in accordance with the GRI Standards. Under this approach, the organization reports on all its material topics and related impacts and how it manages these topics. This reporting approach provides a comprehensive picture of an organization's most significant impacts on the economy, environment, and people. However, if an organization cannot fulfill some of the requirements to report in accordance with the GRI Standards or only wants to report specific information for specific purposes, such as when complying with regulatory requirements; in that case, it can use selected GRI Standards or parts of their content, and report with reference to the GRI Standards. Navigating a report Reports using the GRI Standards may be published in various formats e.g., electronic, paper-based and made accessible across one or more locations e.g., standalone sustainability report, webpages, annual report . Reports must contain a GRI content index. The content index makes reported information traceable and increases the report's credibility and transparency. The content index provides an overview of the organization's reported information and helps stakeholders navigate the report at a glance. It specifies the GRI Standards that the organization has used. The index also lists the location, such as a page number or URL, for all disclosures that the organization has used to report on its material topics. The content index can also help a stakeholder understand what the organization has not reported. The organization must specify in the content index if a 'reason for omission' is being used. In addition, the disclosure or the requirement that the organization cannot comply with, together with an explanation, must be listed in the content index. If Sector Standards apply to the organization, Sector Standard reference numbers provide a unique identifier for each disclosure listed in a Sector Standard. This helps information users assess which of the disclosures listed in the applicable Sector Standards are included in the organization's reporting.

The GRI principles issued to date are as follows:
Consolidated Set of the GRI Standards 2022

Full set of GRI Standards2022

GRI 1: Foundation 2021
GRI 11: Oil and Gas Sector 2021
GRI 12: Coal Sector 2022
GRI 13: Agriculture, Aquaculture and Fishing Sectors 2022

GRI 2: General Disclosures 2021
GRI 3: Material Topics 2021
Consolidated Set of the GRI Standards 2020

Full set of GRI Standards 2020
GRI Framework 2000
GRI Guidelines 2002 G2
GRI Guidelines 2006 G3
GRI Guidelines 2011 G3.1
GRI Guidelines G4 2013.
GRI 201: Economic Performance 2016

GRI 202: Market Presence 2016
GRI 203: Indirect Economic Impacts 2016

GRI 204: Procurement Practices 2016

GRI 205: Anti-corruption 2016
GRI 206: Anti-competitive Behavior 2016

GRI 207: Tax 2019
GRI 301: Materials 2016
GRI 302: Energy 2016
GRI 303: Water and Effluents 2018
GRI 304: Biodiversity 2016
GRI 305: Emissions 2016
GRI 306: Effluents and Waste 2016
GRI 306: Waste 2020
GRI Standards
GRI 308: Supplier Environmental Assessment 2016

GRI 401: Employment 2016
GRI 402: Labor/Management Relations 2016

GRI 403: Occupational Health and Safety 2018

GRI 404: Training and Education 2016
GRI 405: Diversity and Equal Opportunity 2016
.
GRI 406: Non-discrimination 2016
GRI 407: Freedom of Association and Collective Bargaining 2016
GRI 408: Child Labor 2016
GRI 409: Forced or Compulsory Labor 2016

GRI 410: Security Practices 2016
GRI 411: Rights of Indigenous Peoples 2016

GRI 413: Local Communities 2016
GRI 414: Supplier Social Assessment 2016
GRI 415: Public Policy 2016

GRI 416: Customer Health and Safety 2016
GRI 417: Marketing and Labeling 2016
GRI 418: Customer Privacy 2016
GRI Standards Glossary 2022

To examine the topic of materiality in more detail, we will focus our attention on the basic standards issued in 2016 and 2021, in which the issue of materiality is dealt with in a fundamentally different manner. We will summarise these differences in the following pages in the knowledge that it is impossible to conduct an exhaustive analysis of all differences between the standards, as such an analysis would go beyond the scope of this article and would therefore not be possible here.

Before summarising the differences in materiality that can be identified between the 2016 and 2021 GRI principles, it should be recalled that, among the international bodies, the GRI was one of the first bodies to explore the concept of "double materiality".

In particular, the document issued in 2021 entitled "The double materiality concept. Application and (", states che "this paper considers the appropriateness of the EU's double-materiality concept and how it can be used with the GRI approach to materiality. It draws on academic research that investigates how double-materiality and materiality in sustainability reporting are implemented and the benefits and challenges of doing so.

The key findings of academic research concerning the materiality concept and its application that are relevant to policy makers are:

1. Identification of matters that are financially material or material to enterprise value is incomplete unless the organisation has first identified its material impacts on sustainable development.
2. Materiality defined from the perspective of the impact of an organisation on sustainable development and stakeholders increases the focus of companies on sustainable development.
3. A focus on 'value for the organisation, society and the environment' rather than `financial materiality' enhances an organisation's engagement with the United Nations Sustainable Development Goals.
4. The application of the materiality concept in the sustainability reporting process enhances engagement with stakeholders.
5. Corporate reports addressing material sustainable development matters serve to educate and influence broader society on sustainable development.
6. Approaches to conducting materiality analysis vary considerably and where they are less robust financially material, are prioritised.
7. Lack of disclosure of the process of determining material, reduces the perceived credibility of sustainability reports.
8. Lack of a rigorous process of determining material leads to reports that provide incomplete and misleading portrayals of sustainability performance.
9. Approaches to materiality and disclosure of those approaches tend not to be included in the scope of assurance engagements. Assurance engagements of sustainability information focus primarily on checking data.
10. Disclosure of material sustainable development is value relevant.
11. Identification and disclosure of material sustainable development enhances financial performance.
12. The materiality assessment process enhances investment decision making.
13. Simplified approaches and guidance would be helpful for SMEs.

These findings are discussed in more detail below, but first we consider the development and meaning of the term 'double-materiality'.

Double-Materiality -What it is

The concept of 'double-materiality' was first formally proposed by the European Commission European Commission, 2019 in Guidelines on Non-financial Reporting: Supplement on Reporting Climate-related Information published in June 2019. It encourages a company to judge materiality from two perspectives:

1. "the extent necessary for an understanding of the company's development, performance and position" and "in the broad sense of affecting the value of the company";
2. environmental and social impact of the company's activities on a broad range of stakeholders. The concept also implies the need to assess the interconnectivity of the two.

The second component of double-materiality has been defined and applied in different ways long before the term 'double-materiality' was introduced. Examples of current thinking on this follow:

1. GRI revised its definition of materiality in an exposure draft GRI, 2020, p.8 to: "the organization prioritizes reporting on those topics that reflect its most significant impacts on the economy, environment, and people, including impacts on human rights".
2. The European Financial Reporting Advisory Group EFRAG defines double-materiality from the perspective of both 'financial materiality' and 'impact materiality' where impact materiality in EFRAG, 2021, p8 : "Identifying sustainability matters that are material in terms of the impacts of the reporting entity's own operations and its values chain impact materiality , based on:

- the severity scale, scope and remediability and, when appropriate, likelihood of actual and potential negative impacts on people and the environment;
- the scale, scope and likelihood of actual positive impacts on people and the environment connected with companies' operations and value chains;
- the urgency derived from social or environmental public policy goals and planetary boundaries."

3. To reflect both the impact of sustainable development on the organisation and the impact of the organisation on

sustainable development, the Sustainable Development Goal Disclosure SDGD Recommendations Adams et al, 2020, p9 define material sustainable development information as "any information that is reasonably capable of making a difference to the conclusions drawn by: stakeholders concerning the positive and negative impacts of the organisation on global achievement of the SDGs, and; providers of finance concerning the ability of the organisation to create long term value for the organisation and society".

These definitions can facilitate a shift from a traditional focus on monetary amounts to consideration of the opportunities and challenges of sustainable development Brown, 2009; Gray, 2002; Puroila and Makela, 2019; Spence, 2007. In this regard, the reference to `value creation for organisations and society' in the SDGD Recommendations as one side of double-materiality has greater transformational potential than the EFRAG reference to `financial' materiality. This is supported by case study findings that organisations that think of sustainability in terms of their impact on sustainable development and set strategy to create value for the organisation, society and the environment have engaged more deeply with the United Nations Sustainable Development Goals Adams and Abhayawansa, 2021.

The research findings discussed below emphasise the importance of considering material impacts of the organisation on sustainable development prior to considering the implications of sustainable development (s on enterprise value or the financial statements. Privileging the latter risks not casting the net wide enough and of maintaining the tendency to privilege short term profit implications. This is detrimental to both long term financial performance and sustainable development.

Benefits of Applying Double-Materiality

The practical application of double-materiality as it concerns sustainability reporting enhances stakeholder engagement Puroila and Makela, 2019. It requires wider and more direct stakeholder engagement to gain a comprehensive understanding of what is material in complex corporate settings, as different stakeholders have various, sometimes conflicting, views on material sustainable topics Brown, 2009; Brown and Dillard, 2013; Brown and Tregidga, 2017; Puroila and Makela, 2019. The enhanced stakeholder engagement required by the double-materiality analysis contributes to diverse and reciprocal accountability relationships between the organisations, their stakeholders, and the wider society and enables discussions and evaluations on sustainable development Cooper and Morgan, 2013; Brown and Dillard, 2015; Puroila and Makela, 2019.

Materiality is a socio-economic and political, rather than a technical, phenomenon Carpenter et al., 1994; Lai et al., 2017, which shapes a broader societal understanding of sustainable development through corporate communication Brown and Dillard, 2014; Puroila and Makela, 2019. As organisations continuously define, manage, and communicate their identities, activities, and impacts in relation to sustainability through their double-materiality analysis, the conception of sustainable development is gradually shaped and reshaped Puroila and Makela, 2019; Tregidga and Milne, 2006.

Investment in sustainability can be costly in the short-term, but can benefit the business in the long-term Oh & Chang, 2011. Materiality analysis can inform investment decisionmaking through the identification of key stakeholders and sustainability as well as relevant risks and opportunities. Empirical findings reveal that investment in material sustainability can enhance firm financial performance while investments on nonmaterial have no impact on firm financial performance Khan et al. 2016.

Several studies investigate how materiality in sustainability reporting influences analyst forecast accuracy, financial performance stock price informativeness Khan et al., 2016; Grewal et al., 2020; Martinez, 2016; van Heijningen, 2019. Martinez 2016 adopted the GRI guidelines as a framework to select material social and environmental to test their impact on analyst forecast accuracy. He finds that analysts perceive sustainability disclosures on material as a signal of good performance in environmental and social (s, enhanced transparency and lower uncertainty resulting in more accurate forecasts.

Grewal et al. 2020 find that material sustainability information is value-relevant and firmspecific. These studies reveal the importance of identifying and disclosing material sustainability (s from the perspective of different stakeholder groups. A narrow focus on investors may be detrimental to goals of enhancing investor returns.

Applying Double-Materiality

Research has identified a number of cases in applying double-materiality. These include: poor disclosure of the process of determining material sustainability (s; variation in the approach used by organisations to apply the GRI concept of materiality; stakeholder engagement is used to increase transparency and accountability but also to manage risks by reducing materiality attached to reporting information; organisations often lack skills to apply materiality to sustainability (s; assessment of materiality favours short-term financial interests; and, the materiality assessment process often falls outside the scope of sustainability assurance engagements.

Research finds that disclosure of the process of determining material sustainability is inadequate. This brings into question the credibility of sustainability reports and can lead to an inaccurate portrayal of sustainability performance Adams, 2004; Guix et al., 2018; Knebel et al., 2015; Machado et al., 2020; Moneva et al., 2006. Companies tend to disclose good performance, ignore poor performance, twist the science and use sustainability reports to legitimate their actions and even mislead their stakeholders Adams, 2004; Beske et al., 2020; Knebel et al., 2015.

Machado et al. 2020 examined 140 sustainability reports and

found that the process of materiality assessment was unclear and not explicit. Reporting organisations thus have room to manipulate their prioritisation of sustainability according to their values and political priorities Machado et al., 2020; Unerman and Zappettini, 2014 . In examining sustainability reports (by the 50 largest hotel groups worldwide in 2015, Guix et al. 2018 found a lack of experience in conducting materiality analysis and a heterogeneity of materiality definitions, guidelines, and applications. Further, Puroila and Makela 2019 found that when doing a materiality assessment, organisations tend to prioritise financial over sustainability.

The GRI concept of materiality has been widely adopted in approaches to sustainability disclosure Puroila and Makela, 2019. However, the approach to implementation varies in practice Moroney and Trotman, 2016. . Organisations incorporate stakeholder engagement into the materiality assessment process with an aim to increase reporting transparency and accountability Farooq and de Villiers, 2019. On the other hand, stakeholder engagement is also used as a tool to manage legitimate risks which result in reduced materiality attached to reported information and lower credibility of the reports Hess, 2008.

Without a clear understanding of the material for different stakeholders, organisations are unable to address the needs of stakeholders Font et al., 2016. The low quality of reporting in some organisations is partly due to their limited knowledge about materiality, and consultants are often engaged to fill the gap between the conception and application of materiality Guix et al., 2019. The concept of materiality contains a certain degree of flexibility and it is regarded as a management opinion rather than a mechanical process Edgley, 2014. Concerns about the subjectivity of materiality analysis are fuelled by findings that companies disclose only a small amount of information related to their materiality analysis and that disclosure of approaches to identify stakeholders and materialy topics is limited Beske et al., 2020.

The materiality matrix is a techno-rational tool that simplifies the inherent complexity of assessing material sustainability, stakeholder engagement, and the societal pursuit of sustainable development Puroila and Makela, 2019; Machado et al., 20 20; Puroila nd Makela, 2019. It presents different stakeholders as having a unified understanding of material sustainability topics whereas in reality there are conflicts between them Boiral, 2013; Cho et al., 2015; Eccles and Youmans, 2016; Makela, 2013; Milne and Gray, 2013.

Further, materiality disclosure constructs reporting content as a "true and a fair view" of corporate performance on sustainability, failing to address the temporality and situatedness of the outcome Boiral and Henri, 2017; Brown and Dillard, 2013; Cooper and Morgan, 2013; Puroila and Makela, 2019; Stirling, 2008.

Jones et al. 2016 argue that reporting organisations tend to prioritise business continuity s including branding and marketing, acquisitions, financial tax policy, research and innovation, customer satisfaction and so on. Environmental, such as climate change, greenhouse gas emissions, water use, waste management, and biodiversity were identified as having lower priority. This suggests that the way that companies apply materiality fails to challenge the dominant business ideology of continuing economic growth and promote more sustainable patterns of consumption Jones et al., 2016. The assessment of materiality still favours short-term business financial interests and ignores the complexity of sustainable development Puroila and Makela, 2019. In addition, there is also a risk that organisations focus on increasing legitimacy for their most important stakeholder groups, therefore, organisations may not adopt the guidelines if it does not enhance their relationship with those favoured stakeholder groups Nikolaeva and Bicho, 2011.

The materiality assessment process and other GRI principles are often ignored in sustainability assurance engagements Borial et al. 2019. Only those principles that are also applied in financial auditing, such as data accuracy, reliability, and completeness, are systematically assured Boiral et al., 2019. Heavily influenced by approaches transferred from the financial auditing, sustainability assurance engagements are narrow in scope focussing on data checking Boiral and Heras-Saizarbitoria, 2020; Borial et al., 2019; Farooq and De Villiers, 2019; Gurturk and Hahn, 2016.

Poor disclosure of the process of identifying stakeholders and engaging with them to identify material topics is allowed to continue while these disclosures are not mandatory and not externally assured. This is concerning. Robust identification of material impacts of an organisation on sustainable development must be the starting point to determining sustainable development risks and impacts on the financial statements.

Research findings are clear - organisations tend towards prioritising financial materiality. A reporting regime that encourages this is therefore detrimental to sustainable development — and, ironically, long term financial success".

As noted above, in 2000 G1, the GRI issued its first guidelines, updating them in 2002 G2, 2006 G3 and 2013 G4.

In 2016, GRI changed the name of the principles and switched from the concept of 'guidelines' to the term 'global standards', which were supplemented by other regulations in 2019 Taxes and Fees and 2020 Waste.

The standards issued in 2016 applied to any type of organisation, small, medium and large, from any economic sector and geographical area.

These principles were structured as follows:

1. Universal Standards, which included three types of principles:

- **GRI 101:** Reporting Principles - outlines the basis of accountability and the use of documents intended for external use. It also includes specific statements necessary for organisations to prepare a sustainability report

following the Standards;
- **GRI 102:** General Disclosures - presents information regarding an organisation's profile, strategy, ethics governance, stakeholder engagement practices and the reporting process. stakeholders and the reporting process;
- **GRI 103:** Management approach - provides information on how an organisation :should manage a materiality issue. It explains the concept of materiality and the impact of elements contradicted by materiality.

2. Specific standards comprising three types of principles:
- the 200 series contains specific information on economic topics;
- the 300 series includes detailed information on environmental issues;
- the 400 series contains detailed information on social issues.

The concept of materiality in the 2016 standards is addressed in GRI 101, which highlights that:" The Reporting Principles are fundamental to achieving high quality sustainability reporting. An organization is required to apply the Reporting Principles if it wants to claim that its sustainability report has been prepared in accordance with the GRI Standards see Table 1 in Section 3 for more information. The Reporting Principles are divided into two groups: principles for defining report content and principles for defining report quality. The Reporting Principles for defining report content help organizations decide which content to include in the report. This report considering the organization's activities, impacts, and the substantive expectations and interests of its stakeholders. The Reporting Principles for defining report quality guide choices on ensuring the quality of information in a sustainability report, including its proper presentation. The quality of information is important for enabling stakeholders to make sound and reasonable assessments of an organization, and to take appropriate actions. Each of the Reporting Principles consists of a requirement and guidance on how to apply the principle, including tests. The tests are tools to help an organization assess whether it has applied the principle; they are not disclosures that are required to be reported."

In particular, with regard to materiality, GRI Principle 101 makes an in-depth analysis of the meaning of this concept and its application in sustainability reporting. GRI Principle 101, in this regard, emphasises the following elements: "Materiality The report shall cover topics that:
- reflect the reporting organization's significant economic, environmental, and social impacts; or
- substantively influence the assessments and decisions of stakeholders.

Guidance
An organization is faced with a wide range of topics on which it can report. Relevant topics, which potentially merit inclusion in the report, are those that can reasonably be considered important for reflecting the organization's economic, environmental, and social impacts, or influencing the decisions of stakeholders. In this context, 'impact' refers to the effect an organization has on the economy, the environment, and/or society positive or negative. A topic can be relevant – and so potentially material – based on only one of these dimensions.

In financial reporting, materiality is commonly thought of as a threshold for influencing the economic decisions of those using an organization's financial statements, investors in particular.

A similar concept is also important in sustainability reporting, but it is concerned with two dimensions, i.e., a wider range of impacts and stakeholders. In sustainability reporting, materiality is the principle that determines which relevant topics are sufficiently important that it is essential to report on them. Not all material topics are of equal importance, and the emphasis within a report is expected to reflect their relative priority.

A combination of internal and external factors can be considered when assessing whether a topic is material. These include the organization's overall mission and competitive strategy, and the concerns expressed directly by stakeholders. Materiality can also be determined by broader societal expectations, and by the organization's influence on upstream entities, such as suppliers, or downstream entities, such as customers. Assessments of materiality are also expected to take into account the expectations expressed in international standards and agreements with which the organization is expected to comply.

These internal and external factors are to be considered when evaluating the importance of information for reflecting significant economic, environmental, and/or social impacts, or for stakeholders' decision making. Various methodologies can be used to assess the significance of impacts. In general, 'significant impacts' are those that are a subject of established concern for expert communities, or that have been identified using established tools, such as impact assessment methodologies or life cycle assessments. Impacts that are considered important enough to require active management or engagement by the organization are likely to be considered significant.

Applying this principle ensures that the report prioritizes material topics. Other relevant topics can be included, but with less prominence. It is important that the organization can explain the process by which it determined the priority of topics.

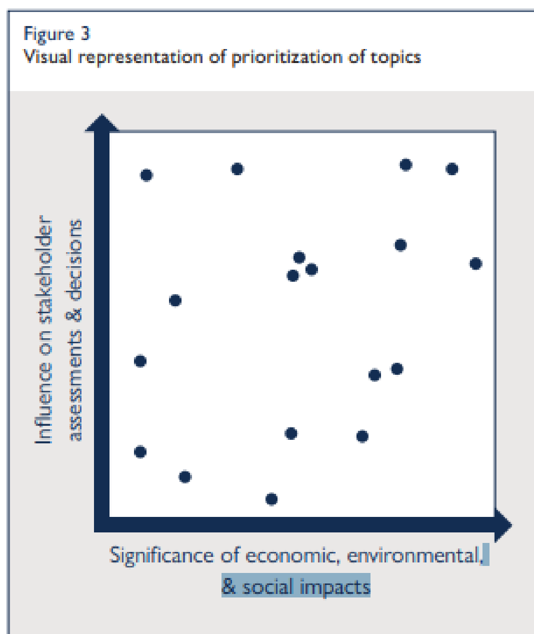
Figure 3 presents an example matrix, for guidance purposes. It shows the two dimensions for assessing whether a topic is material; and that a topic can be material based on only one of these dimensions. The use of this exact matrix is not required; however, to apply the Materiality principle, it is required to identify material topics based on these two dimensions.

Disclosure 102-46 and clause 6.1 in GRI 102: General Disclosures require an explanation of how the Materiality principle has been applied.

Tests

In defining material topics, the reporting organization has taken into account the following factors:

- Reasonably estimable economic, environmental, and/ or social impacts such as climate change, HIV-AIDS, or poverty identified through sound investigation by people with recognized expertise, or by expert bodies with recognized credentials;
- The interests and expectations of stakeholders specifically invested in the organization, such as employees and shareholders;
- Broader economic, social, and/or environmental interests and topics raised by stakeholders such as workers who are not employees, suppliers, local communities, vulnerable groups, and civil society;
- The main topics and future challenges for a sector, as identified by peers and competitors;
- Laws, regulations, international agreements, or untary agreements of strategic significance to the organization and its stakeholders;
- Key organizational values, policies, strategies, operational management systems, goals, and targets;
- The core competencies of the organization and the manner in which they can contribute to sustainable development;
- Consequences for the organization which are related to its impacts on the economy, the environment, and/or society for example, risks to its business model or reputation ;
- Material topics are appropriately prioritized in the report".



Principle GRI 101, page 11

In Section 2 of GRI 101, the issue of "Identifying material topics and theri Boundaries" is addressed. On this issue, intrinsically connected with materiality, GRI 101 states:

"The reporting organization shall identify its material topics using the Reporting Principles for defining report content. The reporting organization should consult the GRI Sector Disclosures that relate to its sector, if available, to assist with identifying its material topics.

The reporting organization shall identify the Boundary for each material topic.

Guidance

Material topics are those that an organization has prioritized for inclusion in the sustainability report. This prioritization exercise is carried out using the Stakeholder Inclusiveness and the Materiality principles. The Materiality principle identifies material topics based on the following two dimensions:

- The significance of the organization's economic, environmental, and social impacts;
- Their substantive influence on the assessments and decisions of stakeholders.

In applying the Materiality principle, 'impact' refers to the effect an organization has on the economy, the environment, and/or society, which in turn can indicate its contribution positive or negative to sustainable development. For more information on the Materiality principle, see clause 1.3. Disclosure 102-47 in GRI 102: General Disclosures requires reporting the list of material topics.

Using the GRI Sector Disclosures The GRI Sector Disclosures provide additional sectorspecific disclosures and guidance which can be used in conjunction with the GRI Standards. The Sector Disclosures can be found on the GRI Standards website. It is recommended that the reporting organization consults the relevant Sector Disclosures, if available, to help identify its material topics. However, the use of the Sector Disclosures is not intended to be a substitute for applying the Reporting Principles for defining report content.

Linking identified material topics to the GRI Standards The use of 'topics' in the GRI Standards refers to broad economic, environmental, and social subjects, such as Indirect Economic Impacts, Water, or Employment. These topic names are intentionally broad, and each topic can cover numerous related concepts. For example, the topic 'Water' can encompass a range of more specific but related subjects, such as 'water stress' or 'access to water'.

The list of topics covered by the GRI Standards is not exhaustive. In some cases, an organization may identify a material topic that does not match exactly with the available topic-specific Standards. In this case, if the material topic is similar to one of the available topic Standards, or can be considered to relate to it, the organization is expected to use that Standard for reporting on the topic in question.

If the organization identifies a material topic that cannot reasonably be related to one of the topic-specific Standards, see clauses 2.5.1 and 2.5.3 for requirements about how to report on it.

Reporting the Boundary for each material topic The topic

Boundary is the description of where the impacts occur for a material topic, and the organization's investeme with those impacts. Organizations might be with impacts either through their own activities or as a result of their business relationships with other entities. An organization preparing a report in accordance with the GRI Standards is expected to report not only on impacts it causes, but also on impacts it contributes to, and impacts that are directly linked to its activities, products or services through a business relationship.3 In the context of this GRI Standard, an organization's business relationships can include relationships with business partners, entities in its value chain, and any other non-State or State entity directly linked to its business operations, products or services.

Disclosure 103-1 in GRI 103: Management Approach requires reporting the Boundary for each material topic. See GRI 103 for more detailed information on topic boundaries".

The other GRI documents do not address materiality in depth. Therefore, the reference point for the principles issued in 2016 is GRI Principle 101, the basis of which regarding materiality has been briefly explained in the previous pages.

As I have already pointed out, in 2021, the GRI principles were amended, in some places very profoundly and in others with mere formal adjustments.

In 2021The GRI Standards of 2021 are structured as a system of interrelated standards that are organised into three series: GRI:
Universal Standards, GRI Sector Standards, and GRI Topic Standards.

The GRI Universal Standards, applicable to all organisations, as discussed above, consist of the following:

"**GRI 1:** Foundation 2021 specifies the requirements that the organization must comply with to report in accordance with the GRI Standards. The organization begins using the GRI Standards by consulting GRI 1.

GRI 2: General Disclosures 2021 contains disclosures that the organization uses to provide information about its reporting practices and other organizational details, such as its activities, governance, and policies.

GRI 3: Material Topics 2021 provides guidance on how to determine material topics. It also contains disclosures thatthe organization uses to report information about its process of determining material topics, its list of material topics,and how it manages each topic."

The GRI Sector Standards apply to specific sectors to increase the completeness of reporting disclosures. Over time, these standards are expected to cover 40 economic sectors. The already-issued standards provide general information on the sector, list the topics that may be relevant in each sector, and the most significant impacts, and indicate the relevant information to be provided on these topics. If a Sector Standard is available, the organisation must use it to report compliance with GRI standards.

Topic Standards are dedicated to specific topics such as waste, taxes, health, etc... Each Standard deals with framing the issue, providing specific disclosures and giving information on how an organisation manages these impacts. A company selects the standards related to its material topics and highlights them in its reporting outside the company.

The GRI 1 Foundation document of 2021 states that :"sustainability reporting is therefore crucial for financial and value creation reporting. Information made available through sustainability reporting provides input for identifying financial risks and opportunities related to the organization's impacts and for financial valuation. This, in turn, helps to make financial materiality judgments about what to recognize in financial statements".

Nel GRI 1 del 2021, vi è un unico riferimento alla materiality. In tale principio si afferma infatti:" Sustainability reporting is therefore crucial for financial and value creation reporting. Information made available through sustainability reporting provides input for identifying financial risks and opportunities related to the organization's impacts and for financial valuation. This, in turn, helps to make financial materiality".

Judgments about what to recognize in financial statements."

No other reference to materiality is discernible in GRI 1
.
There are not references to materiality in GRI 2.

GRI 3 of 2021, on the other hand, is dedicated to materiality. This document, first of all, proposes an overview of GRI 1, 2, and 3: "GRI 3: Material Topics 2021 provides step-by-step guidance for organizations on how to determine material topics. It also explains how the Sector Standards are used in this process. Material topics are topics that represent an organization's most significant impacts on the economy, environment, and people, including impacts on their human rights.

GRI 3 also contains disclosures for organizations to report information about their process of determining material topics, their list of material topics, and how they manage each of their material topics.

The GRI 3 document highlights how materiality should be understood. To elaborate on this, it illustrates two paragraphs:Guidance to determine material topics

Disclosure on material topics.

Guidance to determine material topics

An organization reporting in accordance with the GRI Standards is required to determine its material topics. When doing this, the organization is also required to use the applicable GRI Sector Standards

This section describes the four steps that the organization should follow in determining its material topics . Following the steps in this section helps the organization determine its material topics and report the disclosures."
The next section afferma che "the steps provide guidance and are not requirements on their own.

The first three steps in the process to determine material topics relate to the organization's ongoing identification and assessment of impacts. During these steps, the organization identifies and assesses its impacts regularly, as part of its day-to-day activities, and while engaging with relevant stakeholders and experts. These ongoing steps allow the organization to actively identify and manage its impacts as they e ve and as new ones arise. The first three steps are conducted independently of the sustainability reporting process, but they inform the last step. In Step 4, the organization prioritizes its most significant impacts for reporting and, in this way, determines its material topics.

In each reporting period, the organization should review its material topics from the previous reporting period to account for changes in the impacts. Changes in impacts can result from changes in the organization's activities and business relationships. This review helps ensure the material topics represent the organization's most significant impacts in each new reporting period.

The organization should document its process of determining material topics. This includes documenting the approach taken, decisions, assumptions, and subjective judgments made, sources analyzed, and evidence gathered. Accurate records help the organization explain its chosen approach and report the disclosures in section 2 of this Standard. The records facilitate analysis and assurance.

The approach for each step will vary according to the specific circumstances of the organization, such as its business model; sectors; geographic, cultural, and legal operating context; ownership structure; and the nature of its impacts.

Given these specific circumstances, the steps should be systematic, documented, replicable, and used consistently in each reporting period. The organization should document any changes in its approach together with the rationale for those changes and their implications.

The organization's highest governance body should oversee the process and review and approve the material topics. If the organization does not have a highest governance body, a senior executive or group of senior executives should oversee the process and review and approve the material topics.

The steps to be taken are as follows:
Step 1: Understand the organization's context
In this step, the organization creates an initial high-level overview of its activities and business relationships, the sustainability context in which these occur, and an overview of its stakeholders. this provides the organization with critical information for identifying its actual and potential impacts.

The organization should consider the activities, business relationships, stakeholders, and sustainability context of all the entities it controls or has an interest in e.g., subsidiaries, joint ventures, affiliates , including minority interests.

Relevant departments and functions within the organization that can assist in this step include communications, human resources, investor relations, legal and compliance departments or functions, marketing and sales, procurement, and product development. The GRI Sector Standards describe the sectors' context and they can also assist in this step.

Activities
The organization should consider the following in relation to its activities:

Business relationships
The organization's business relationships include relationships with business partners, entities in its value chain including entities beyond the first tier , and any other entities directly linked to its operations, products, or services. The organization should consider the following in relation to its business relationships:

- The organization's purpose, value or mission statements, business model, and strategies. The types of activities it carries out e.g., sales, marketing, manufacturing, distribution and the geographic locations of these activities.
- The types of products and services it offers and the markets it serves i.e., the types of customers and beneficiaries targeted, and the geographic locations where products and services are offered .
- The sectors in which the organization is active and their characteristics e.g., whether theyare informal work, whether they are labor or resource intensive .
- The number of employees, including whether they are full-time, part-time, non-guaranteed hours, permanent or temporary, and their demographic characteristics e.g., age, gender, geographic location .
- The number of workers who are not employees and whose work is controlled by the organization, including the types of worker e.g., agency workers, contractors, self-employed persons, unteers , their contractual relationship with the organization i.e., whether the organization engages these workers directly or indirectly through a third party, and the work they perform.
- The types of business relationships it has e.g., joint ventures, suppliers, franchisees. The organization should consider the following to understand the sustainability context of its activities and business relationships.

Stakeholders
The organization should identify who its stakeholders are across its activities and business relationships and engage with them to help identify its impacts.

The organization should draw a full list of individuals and groups whose interests are affected or could be affected by the organization's activities. Common categories of stakeholders for organizations are business partners, civil society organizations, consumers, customers, employees and other workers, governments, local communities, nongovernmental organizations, shareholders and other investors, suppliers, trade unions, and vulnerable groups. The organization can further distinguish between individuals and groups whose human rights are affected or could be affected, and individuals and groups with other interests.

When identifying its stakeholders, the organization should ensure it identifies any individuals or groups it does not have a direct relationship with e.g., workers in the supply chain or local communities that live at a distance from the organization's operations and those who are unable to articulate their views e.g., future generations but whose interests are affected or could be affected by the organization's activities.

Different lists of stakeholders can be drawn per activity, project, product or service, or other classification that is relevant for the organization.

Step 2: Identify actual and potential impacts
In this step, the organization identifies its actual and potential impacts on the economy, environment, and people, including impacts on their human rights, across the organization's activities and business relationships. Actual impacts are those that have already occurred, and potential impacts are those that could occur but have not yet occurred. These impacts include negative and positive impacts, short-term and long-term impacts, intended and unintended impacts, and reversible and irreversible impacts.

To identify its impacts, the organization can use information from diverse sources. It can use information from its own or third-party assessments of impacts on the economy, environment, and people, including impacts on their human rights. It can also use information from legal reviews, anti-corruption compliance management systems, financial audits, occupational health and safety inspections, and shareholder filings. It can also use information from any other relevant assessments of business relationships carried out by the organization or by industry or multi-stakeholder initiatives.

Further information can be gathered through grievance mechanisms that the organization has established itself, or The types of activities undertaken by those with which it has business relationships e.g., manufacturing the organization's products, providing security services to the organization:

- The nature of the business relationships e.g., whether they are based on a long-term or short-term contract, whether they are based on a specific project or event.
- The geographic locations where the activities of the business relationships take place. Economic, environmental, human rights, and other societal challenges at local, regional, and global levels relatedto the organization's sectors and the geographic location of its activities and business relationships e.g., climate change, lack of law enforcement, poverty, political conflict, water stress .
- The organization's responsibility regarding the authoritative intergovernmental instruments with which it is expected to comply.

Examples include the International Labour Organization ILO Tripartite Declaration of Principles concerning Multinational Enterprises and Social Policy; the Organisation for Economic Co-operation and Development OECD Guidelines for Multinational Enterprises; the United Nations UN Framework Convention on Climate Change FCCC Paris Agreement; the UN Guiding Principles on Business and Human Rights ; and the UN International Bill of Human Rights

- The organization's responsibility regarding the laws and regulations with which it is expected to comply.

GRI 3: Material Topics 2021 that have been established by other organizations. The organization can also use information from broader enterprise risk management systems, provided that these systems identify the organization's impacts on the economy, the environment, and people, in addition to identifying risks for the organization itself. It can also use information from external sources, such as news organizations and civil society organizations.

- In addition, the organization should seek to understand the concerns of its stakeholders and consult internal and external experts, such as civil society organizations or academics.

In this step, the organization needs to consider the impacts described in the applicable GRI Sector Standards and determine whether these impacts apply to it. Impacts may change over time as the organization's activities, business relationships, and context. New activities, new business relationships, and major changes in operations or the operating context e.g., new market entry, product launch, policy change, wider changes to the organization could lead to changes in the organization's impacts. For this reason, the organization should assess its context and identify its impacts on an ongoing basis.

In cases where the organization has limited resources available for identifying its impacts, it should first identify its negative impacts, before identifying positive impacts, to ensure it complies with applicable laws, regulations, and authoritative intergovernmental instruments.

Identifying negative impacts

Identifying actual and potential negative impacts with which the organization could be in ved is the first step of due diligence. The organization should consider actual and potential impacts that it causes or contributes to through its activities, as well as actual and potential impacts that are directly linked to its operations, products, or services by its business relationships.

In some cases, the organization might be unable to identify actual and potential negative impacts across all its activities and business relationships. This could be, for example, because

the organization has diverse or multiple global operations or because its value chain comprises many entities. In such cases, the organization may carry out an initial assessment or scoping exercise to identify general areas across its activities and business relationships e.g., product lines, suppliers located in specific geographic locations where negative impacts are most likely to be present and significant. Once the organization has conducted the initial assessment or scoping exercise, it can identify and assess actual and potential negative impacts for these general areas.

As part of the initial assessment or scoping exercise, the organization should consider impacts commonly associated with its sectors, its products, geographic locations, or with specific organizations i.e., impacts associated with a specific entity of the organization, or with an entity it has a business relationship with, such as a poor history of conduct in relation to respecting human rights . In addition to the GRI Sector Standards, the organization can use the Organisation for Economic Co-operation and Development OECD Due Diligence Guidance for Responsible Business Conduct and the OECD sectoral guidance on due diligence for information on impacts commonly associated with sectors, products, geographic locations, and specific organizations. It can also use reports from governments, environmental agencies, international organizations, civil society organizations, workers' representatives and trade unions, national human rights institutions, media, or other experts.

Identifying positive impacts

To identify its actual and potential positive impacts, the organization should assess the manner in which it contributes or could contribute to sustainable development through its activities, for example, through its products, services, investments, procurement practices, employment practices, or tax payments. This also includes assessing how the organization can shape its purpose, business model, and strategies to deliver positive impacts that contribute to the goal of sustainable development.

An example of a positive impact is an organization adopting measures that lower the cost of renewable energy for customers, thereby allowing more customers to switch from using non-renewable energy to renewable energy, and thus contributing to mitigating climate change. Another example is an organization choosing an area with high unemployment to open a new facility so that it can hire and train unemployed members of the local community, and in this way, contribute to job creation and community development.

The organization should consider any negative impacts that could result from activities that aim for a positive contribution to sustainable development. Negative impacts cannot be offset by positive impacts. For example, a renewable energy installation may reduce a region's dependence on fossil fuels and bring energy to underserved communities. However, if it displaces local indigenous communities from their lands or territories without their consent, this negative impact should be addressed and remediated, and it cannot be compensated by the positive impacts.

Step 3: Assess the significance of the impacts

The organization may identify many actual and potential impacts. In this step, the organization assesses the significance of its identified impacts to prioritize them. Prioritization enables the organization to take action to address the impacts and also to determine its material topics for reporting. Prioritizing impacts for action is relevant where it is not feasible to address all impacts at once. Assessing the significance of the impacts in ves quantitative and qualitative analysis. How significant an impact is will be specific to the organization and will be influenced by the sectors in which it operates, and its business relationships, among other factors. In some instances, this may need a subjective decision. The organization should consult with relevant stakeholders and business relationships to assess the significance of its impacts. The organization should also consult relevant internal or external experts.

Assessing the Significance of Negative Impacts

The significance of an actual negative impact is determined by the severity of the impact. The significance of a potential negative impact is determined by the severity and likelihood of the impact.

The combination of the severity and the likelihood of a negative impact can be referred to as 'risk'. The assessment of the significance of the impacts can be included within broader enterprise risk management systems, provided that these systems assess the impacts the organization has on the economy, the environment, and people, in addition to assessing risks for the organization itself.

Severity

The severity of an actual or potential negative impact is determined by the following characteristics: The scale of a negative impact i.e., how grave the impact is can depend on whether the impact leads to noncompliance with laws and regulations or with authoritative intergovernmental instruments with which the organization is expected to comply. For example, if a negative impact leads to a violation of human rights or fundamental rights at work or to non-compliance with the reductions in greenhouse gas GHG emissions to be achieved under the *United Nations UN Framework Convention on Climate Change FCCC Paris Agreement*, the scale of this impact can be considered greater.

The scale of a negative impact can also depend on the context in which the impact takes place. For example, the scale of the impact of an organization's water withdrawal can depend on the area from which water is withdrawn. The scale will be greater if water is withdrawn from an area affected by water stress, compared to an area with abundant water resources to meet the demands of water users and ecosystems.

Any of the three characteristics scale, scope, and irremediable

character can make an impact severe. But it is often the case that these characteristics are interdependent: the greater the scale or the scope of an impact, the less remediable it is.

The severity – and therefore the significance of an impact are not absolute concepts.

The severity of an impact

- **Scale:** how grave the impact is.
- **Scope:** how widespread the impact is, for example, the number of individuals affected or the extent of environmental damage.
- **Irremediable character:** how hard it is to counteract or make good the resulting harm. should be assessed in relation to the other impacts of the organization. For example, an organization should compare the severity of the impacts of its GHG emissions against the severity of its other impacts. The organization should not assess the significance of its GHG emissions in relation to global GHG emissions, as that comparison could lead to the misleading conclusion that the organization's emissions are not significant.

Likelihood

The likelihood of a potential negative impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms e.g., very likely, likely or mathematically using probability e.g., 10 in 100, 10% or frequency over a given time period e.g., once every three Years

Human rights

In the case of potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. For example, an organization operating a nuclear power facility may prioritize the potential impact related to loss of life in cases of natural disasters affecting the power facility, even though natural disasters are less likely to occur than other incidents.

The severity of a negative human rights impact is not limited to physical harm. Highly severe impacts can occur in relation to any human right. For example, interfering with, damaging, or destroying a sacred space without consultation or agreement with the people for whom the space has spiritual importance can have a highly severe impact on their cultural rights.

When prioritizing other types of impacts, such as potential negative environmental impacts, the organization may also choose to prioritize highly severe negative impacts even though they may be less likely to occur.

Assessing the significance of positive impacts

The significance of an actual positive impact is determined by the scale and scope of the impact. The significance of a potential positive impact is determined by the scale and scope as well as the likelihood of the impact.

Scale and scope

In the case of positive impacts, the scale of an impact refers to how beneficial the impact is or could be, and the scope refers to how widespread the impact is or could be e.g., the number of individuals or the extent of environmental resources that are or could be positively affected .

Likelihood

The likelihood of a potential positive impact refers to the chance of the impact happening. The likelihood of an impact can be measured or determined qualitatively or quantitatively. It can be described using general terms e.g., very likely, likely or mathematically using probability e.g., 10 in 100, 10% or frequency over a given time period e.g., once every three years .

Step 4. Prioritize the most significant impacts for reporting
In this step, to determine its material topics for reporting, the organization prioritizes its impacts based on their significance.

Setting a threshold to determine which topics are material

The significance of an impact is assessed in relation to the other impacts the organization has identified. The organization should arrange its impacts from most to least significant and define a cut-off point or threshold to determine which of the impacts it will focus its reporting on. The organization should document this threshold. To facilitate prioritization, the organization should group the impacts into topics.

For example, when setting a threshold, the organization first groups its impacts into a number of topics and ranks them, based on their significance, from highest to lowest priority. The organization then needs to determine how many of the topics it will report on, starting with those that have the highest priority. Where to set the threshold is up to the organization. For transparency, the organization can provide a visual representation of the prioritization that shows the initial list of topics it has identified and the threshold it has set for reporting.

The significance of an impact is the sole criterion to determine whether a topic is material for reporting. An organization cannot use difficulty in reporting on a topic or the fact that it does not yet manage the topic as criteria to determine whether or not to report on the topic. In cases where the organization does not manage a material topic, it can report the reasons for not doing so or any plans to manage the topic to comply with the requirements in Disclosure 3-3 Management of material topics in this Standard.

While some topics can cover both negative and positive impacts, it may not always be possible to compare the two. Additionally, negative impacts cannot be offset by positive impacts. The organization should therefore prioritize negative impacts separately from positive impacts.

Even if the organization has not prioritized an actual or potential negative impact for reporting, it may still be responsible for addressing the impact in line with applicable laws, regulations, or authoritative intergovernmental institutes.

Testing the material topics

The organization should test its selection of material topics against the topics in the applicable GRI Sector Standards. This helps the organization ensure that it has not overlooked any topics that are likely to be material for its sectors.

The organization should also test its selection of material topics with potential information users and experts who understand the organization or its sectors and have insight into one or more of the material topics. This can help the organization validate the threshold it has set to determine which topics are material to report. Examples of experts the organization can consult are academics, consultants, investors, lawyers, national institutions, and non-governmental organizations.

The organization should seek external assurance to assess the quality and credibility of its process of determining material topics.

This testing process results in a list of the organization's material topics.

Approval of the material topics

The organization's highest governance body should review and approve the list of material topics. If such a body does not exist, the list should be approved by a senior executive or group of senior executives in the organization.

Determining what to report for each material topic

Once the organization has determined its material topics, it needs to determine what to report for each material topic.

Following the text of the concept of materiality contained in GRI Principles 1 and 3 and making a comparison with what was stated in the principles issued in 2016, it can note that the most relevant change in the 2021 version compared to what was said in the 2016 version concerning the definition of materiality and consequently the identification of material topics.

In the 2016 version, materiality was defined as an element that reflected the organisation's significant economic, environmental and social impact and influenced stakeholders' assessments and decisions in a very relevant way.

In contrast, the 2021 version defines materiality as those representing the organisation's most significant impacts on the economy, environment and people, including
effects on human rights.

It is important to report the answers provided by GRI to questions sent to the GRI standards body on materiality:

"33. How has the definition of 'material topics' changed? In the GRI Universal Standards 2016, material topics are topics that reflect at least one of the following dimensions:

- the organization's significant economic, environmental, and social impacts
- their substantive influence on the assessments and decisions of stakeholders Feedback indicated that this approach and the use of the materiality matrix, provided in the guidance to the Materiality principle in GRI 101: Foundation 2016, often led to biases and incorrect interpretations of these dimensions. Separating impact assessment from identifying stakeholder views left materiality assessments particularly vulnerable to biases based on stakeholder selection, given that this approach led organizations to prioritize impacts only if the consulted stakeholders highlighted them".

"Do organizations need to redo their materiality assessment? The concept of 'material topics' in the revised Universal Standards still uses the criterion of significance of the impacts as outlined in GRI 101: Foundation 2016. Therefore, an organization that has determined its material topics based on the significance of its economic, environmental, and social impacts, as required by GRI 101, is well prepared to comply with the requirements in GRI 1: Foundation 2021. If a Sector Standard is available that applies to the organization, the organization is required to review each topic described in the applicable Sector Standards and determine whether it is a material topic for the organization. If the organization has determined any of the topics included in the applicable Sector Standards as not material, the organization is required to list them in the GRI content index and explain why they are not material.

35. Do the revised GRI Universal Standards incorporate the double materiality approach? The GRI Standards enable organizations to report information about the most significant impacts of their activities and business relationships on the economy, environment, and people, including impacts on people's human rights. Such impacts are of primary importance to sustainable development and to organizations' stakeholders, and they are the focus of sustainability reporting. The impacts of an organization's activities and business relationships on the economy, environment, and people can have negative and positive consequences for the organization itself. These consequences can be operational or reputational, and therefore in many cases, financial. For example, an organization's high use of non-renewable energy contributes to climate change and could, at the same time, result in increased operating costs for the organization due to legislation that seeks to shift energy use toward renewable sources. Even if not financially material at the time of reporting, most, if not all, of the impacts of an organization's activities and business relationships on the economy, environment, and people will eventually become financially material . The impacts are also important for those interested in the organization's financial performance and long-term success. Therefore, understanding these impacts is a necessary first step in determining related financially material for the organization. Sustainability reporting is therefore crucial for financial and value creation reporting. Information made available through sustainability reporting provides input for identifying financial risks and opportunities related to the organization's impacts and for financial valuation. This, in turn, helps to make financial materiality judgments about what to recognize in financial statements".

"37. How often does an organization need to conduct a materiality assessment? Impacts may change over time as the organization's activities, business relationships, and context. New activities, new business relationships, and major changes in operations or the operating context e.g., new market entry, product launch, policy change, wider changes to the organization could lead to changes in the organization's impacts. For this reason, the organization should assess its context and identify its impacts on an ongoing basis. In each reporting period, the organization should review its material topics from the previous reporting period to account for changes in the impacts. Changes in impacts can result from changes in the organization's activities and business relationships. This review helps ensure the material topics represent the organization's most significant impacts in each new reporting period. 38. Is there a new materiality matrix for use with the revised Universal Standards? The materiality matrix in GRI 101: Foundation 2016 is not included in GRI 1: Foundation 2021. The revisions to the concept of 'material topic' eliminate the need for a matrix as the concept no longer encompasses two independent criteria"

4 IIRC, SASB e ISSB emanazione di IFRS

International Integrated Reporting Council IIRC and Sustainability Accounting Standards Board SASB announced their merger into Value Reporting Foundation. The objective of the newly merged entity is to support corporate and investor decision-making through three key processes: Integrated Thinking Principles, Integrated Reporting Framework and SASB Standards. These three tools will be available to companies and investors to develop a shared understanding of corporate value.

Value Reporting is also committed to providing a more consistent corporate reporting system by working closely with the IFRS Foundation and other leading framework providers and standard setters worldwide. It has staff on four continents and a strong network of business advocates and investors who recognise the benefits of reporting on a more comprehensive range of factors that drive business value.

In addition, Value Reporting Foundation is committed to enabling organisations to move from buy-in to action by aligning the Integrated Reporting Framework and SASB Standards more closely. Value Reporting Foundation will make it easier for companies to communicate their long-term strategy and help them provide a complete view of company performance to investors and other capital providers.

The following statement was issued on 1 August 2022:
"The IFRS Foundation has today announced the completion of the consolidation of the Value Reporting Foundation VRF into the IFRS Foundation. It follows the commitment made at COP26 to consolidate staff and resources of leading global sustainability disclosure initiatives to support the IFRS Foundation's new International Sustainability Standards Board's ISSB work to develop a comprehensive global baseline of sustainability disclosures for the capital markets.

The VRF's SASB Standards serve as a key starting point for the development of the IFRS Sustainability Disclosure Standards, while the Integrated Reporting Framework provides connectivity between financial statements and sustainability-related financial disclosures.1

The consolidation delivers on market demand—including from companies, investors and regulators—for simplification of the sustainability disclosure landscape, and follows the consolidation of the Climate Disclosure Standards Board CDSB into the IFRS Foundation earlier this year.

The ISSB, which now governs the SASB Standards, is embedding the industry-based approach of the SASB Standards into its standard-setting process, as well as addressing the international applicability of the SASB Standards as a priority. The ISSB encourages companies and investors to continue to provide full support for, and use of, the SASB Standards.

The IFRS Foundation's International Accounting Standards Board IASB and the ISSB now assume joint responsibility for the Integrated Reporting Framework and are working together to agree on how to build on and integrate the Integrated Reporting Framework into their standard-setting projects and requirements. The ISSB and IASB actively encourage continued adoption of the Integrated Reporting Framework to drive high-quality corporate reporting.

The IFRS Foundation is focused on continued market participation in the development of IFRS Sustainability Disclosure Standards, as well as on connectivity in the reporting required by the IASB and the ISSB. To foster this market engagement and to drive continued dialogue, Value Reporting Foundation advisory bodies, education, membership and licensing programmes and networks continue under the IFRS Foundation.

As previously announced, a number of VRF Board Directors will transition into advisor roles to observe IFRS Foundation Trustee meetings and to participate in a newly formed IFRS Foundation Transitional Advisory Group.

Erkki Liikanen, Chair of the IFRS Foundation Trustees, said:
"I am delighted that the IFRS Foundation has finalised consolidation with the VRF. This consolidation follows the successful consolidation of the Climate Disclosure Standards Board in February. These consolidations help us to respond to the demand from stakeholders and deliver on the commitment we made at COP26—to harmonise the sustainability disclosure landscape and build on the work of existing reporting initiatives".

Richard Sexton and Robert K Steel, Co-Chairs of the Value Reporting Foundation Board, commented:
The Integrated Reporting Framework and SASB Standards were developed to meet market demand for effective reporting

and management tools. Their adoption worldwide has enabled companies to untarily deliver comparable, consistent and reliable information for investors. Now, we look to a future under the IFRS Foundation where these tools can help deliver a global baseline for sustainability disclosure, connected to financial statements. We know the VRF team, as they take up new roles alongside colleagues in the IFRS Foundation, stand ready to meet this new challenge and deliver on this mission. We count on the ongoing support of our stakeholders globally to enable us to reach this goal".

SASB also issued the following clarification:" As of August 2022, the International Sustainability Standards Board ISSB of the IFRS Foundation assumed responsibility for the SASB Standards. The ISSB has committed to build on the industry-based SASB Standards and leverage SASB's industry-based approach to standards development. The ISSB encourages preparers and investors to continue to provide full support for and to use the SASB Standards until IFRS Sustainability Disclosure Standards replace SASB Standards".

Furthermore, on 3 November 2021, the IFRS issued the following announcement: "International investors with global investment portfolios are increasingly calling for high quality, transparent, reliable and comparable reporting by companies on climate and other environmental, social and governance ESG matters. On 3 November 2021, the IFRS Foundation Trustees announced the creation of a new standard-setting board—the International Sustainability Standards Board ISSB —to help meet this demand. The intention is for the ISSB to deliver a comprehensive global baseline of sustainability-related disclosure standards that provide investors and other capital market participants with information about companies' sustainability-related risks and opportunities to help them make informed decisions".

Considering the notes and changes in the bodies as mentioned above and the consolidation into a single body of all the associations that had as their objective the issuance of standards concerning sustainability, we do not deem it reasonable to highlight the concepts of materiality that were present in standards that are now obsolete. It is interesting, however, to illustrate the materiality concept found in the Value Reporting Foundation document issued in 2021.

In the document transition to integrated reporting by the Value Reporting Foundation, we can find helpful indications about the concept of materiality that will undoubtedly be, albeit modified and combined, included in the following standards that the unitary body will issue deriving from the consolidation of SASB, IRRC, and ISSB or, better said, from the interconnection of ISSB and Value Reporting Foundation.
Regarding materiality, the document issued by the Value Reporting Foundation in September 2021 states that:
"Combine existing reports as a precursor to integration per the Framework.
Using this approach, the organization merges existing content – such as elements of the proxy statement, ….., sustainability report or other disclosure vehicle – and firmly commits to streamlining this information over time.

Benefits
- Logical first step for some as they migrate from multiple reports to a primary report that connects the dots
- Drives collaboration among those whose historical focus was specialty reporting
- Provides time to refine reporting systems, explore materiality through a value creation, preservation or erosion lens and pursue integration.

Challenges
- Yields lengthy reports in the early stages
- Potential for the combined report to deliver to all, but cater to none
- Risk of succumbing to the false premise that combining equals integrating. Certain activities permeate all integrated reporting journeys, regardless of the specific path chosen. These activities include, for example:
- Analyzing gaps between existing reporting and Framework requirements
- Assessing the breadth and effectiveness of stakeholder engagement mechanisms
- Refining the materiality determination process
- Testing the efficacy of data collection systems and information controls.

Material matters can vary over time as conditions shift. As these material matters change, so too does the content of the integrated report. Accordingly, each reporting cycle, organizations should revisit previously identified material matters to test their continued relevance and add new material matters as warranted. Those charged with governance are critical to this effort in terms of validating the materiality determination process and resulting material matters.

In performing this step, the integrated reporting team should consult the Framework, which presents a four-step materiality determination process.

Identify relevant matters based on their ability to affect value creation. When listing matters that could substantively affect value creation, preservation or erosion, consider topics or (s that:
- Link to strategy, governance, performance or prospects form the basis of board and executive discussions
- Are important to key stakeholders
- May intensify or lead to significant risks or lost opportunities if left unchecked.

As implied above, inherent in the materiality determination process is an understanding of the needs and interests of key stakeholders. For example, if customers are dissatisfied with the quality of an organization's goods or services, they will eventually go elsewhere. If employees feel unsafe, mistreated or undervalued in the workplace, they too will go elsewhere. An understanding of stakeholder views informs the organization's

strategy, including its response to stakeholders' legitimate needs and interests. It is reasonably likely, therefore, that this information will factor into the materiality determination process.

Evaluate the importance of relevant matters in terms of their known or potential effect on value creation
When evaluating the importance of relevant matters, consider:
- Quantitative and qualitative effects
- The nature, area and time frame of effects
- The magnitude of effects and their likelihood of occurrence.

Prioritize the matters based on their relative importance
When ranking matters by importance as evaluated in the second step of the materiality determination process , consider also:
- Their significance in the context of the organization's values, commitments and policies
- The organization's chosen 'line' beyond which high-priority matters become material for disclosure purposes. Recall, here, the purpose of the integrated report: to explain to providers of financial capital how an organization creates, preserves or erodes value over time."

The document goes on to analyse materiality in depth, pointing out that "An integrated report should disclose information about matters that substantively affect the organization's ability to create value over the short, medium and long term. In reviewing the continued relevance of draft material, the integrated reporting team should consult Step 3.2, which provides guidance on identifying material matters and determining the nature and extent of related disclosures. The integrated report does not intend to meet the information needs of all stakeholders. Given this context, the aim of routine stakeholder engagement is to understand and respond to the legitimate needs and interests of others, recognizing that this also affects the organization's own prospects. Remember, value is not created in isolation. Reality check-In its presentation of material matters, the integrated report should avoid boilerplate disclosures in favour of content that reflects its unique circumstances and provides insight into its ability to create value over various time horizons".

Il documento sopra citato conclude con l'elenco degli elementi caratterizzanti il report di sostenibilità, fra i quali è citata anche la materiality. A questo riguardo, il documento afferma:
"Summary of requirements

Reliability and Completeness

An integrated report should include all material matters, both positive and negative, in a balanced way and without material error.

Consistency and Comparability

The information in an integrated report should be presented:
- On a basis that is consistent over time
- In a way that enables comparison with other organizations to the extent it is material to the organization's own ability to create value over time.

Content Elements

Organizational overview and external environment
An integrated report should answer the question: What does the organization do and what are the circumstances under which it operates?

Governance

An integrated report should answer the question: How does the organization's governance structure support its ability to create value in the short, medium and long term?

Business model

An integrated report should answer the question: What is the organization's business model?

Risks and opportunities

An integrated report should answer the question: What are the specific risks and opportunities that affect the organization's ability to create value over the short, medium and long term, and how is the organization dealing with them?

Strategy and resource allocation

An integrated report should answer the question: Where does the organization want to go and how does it intend to get there?

Performance

An integrated report should answer the question: To what extent has the organization achieved its strategic objectives for the period and what are its outcomes in terms of effects on the capitals?

Outlook

An integrated report should answer the question: What challenges and uncertainties is the organization likely to encounter in pursuing its strategy, and what are the potential implications for its business model and future performance?

Basis of preparation and presentation

An integrated report should answer the question: How does the organization determine what matters to include in the integrated report and how are such matters quantified or evaluated."

Given the consolidation between the bodies mentioned above, it is also interesting to note the definition of materiality given in the exposure draft, General requirements for disclosing sustainability-related financial information issued by ISSB, which IFRS published in March 2022.

That document states that "a reporting entity shall disclose material information about all of the significant sustainability-related risks and opportunities to which it is exposed. The assessment of materiality shall be made in the context of the information necessary for users of general purpose financial reporting to assess enterprise value".

"Sustainability-related financial information is material if omitting, misstatirig or obscuring that information could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis

of that reporting, which provides information about a specific reporting entity.

Material sustainability-related financial inforrriation provides insights into factors that could reasonably be expected to influence primary users' assessments of an entity's enterprise value. The inforrriation relates to activities, interactions and relationships and to the use of resources along the entity's value chain if it could influence the assessment primary users make of its enterprise value. lt can include information about sustainability-related risks and opportunities with low-probability and high-impact outcomes.

Materiality is an entity-specific aspect of relevance based on the nature or magnitude, or both, of the items to which the information relates, in the context of the entity's general purpose financial reporting. This [draft] Standard does not specify any thresholds for materiality or predetermine what would be material in a particular situation.

An entity shall apply judgement to identify material sustainability-related financial infori4iation. Materiality judgements shall be reassessed at each reporting date to take account of changed circumstances and assumptions.

An entity need not provide a specific disclosure that would otherwise be required by an IfRS Sustainability Disclosure Standard if the inforrriation resulting from that disclosure is not material. This is the case even if the IFRS Sustainability Disclosure Standard contains a list of specific requirements or describes them as minimum requirements.

An entity shall also consider whether to disclose additional information when compliance with the specific requirements in an IFRS Sustainability Disclosure Standard is insufficient to enable users of general purpose financial reporting to assess the effect on enterprise value of the sustainability-related risks and opportunities to which the entity is exposed.
An entity need not disclose information otherwise required by an IFRS Sustainability Disclosure Standard if local laws or regulations prohibit the entity from disclosing that inforrrtation. If an entity omits material information for that reason, it shall identify the type of information not disclosed and explain the source of the restriction".

"Sustainability-related financial information is material if omitting, insstating or obscuring that inforrriation could reasonably be expected to influence decisions that the primary users of general purpose financial reporting make on the basis of that reporting, which provides information about a specific reporting entity. In other words, materiality is an entity-specific aspect of relevance. The materiality of a specific sustainability-related financial disclosure is assessed in the context of an entity's general purpose financial reporting and is based on the nature or magnitude of the item to which the inforrriation relates, or both."

It was deemed attractive to mention the concept of materiality in the Draft as mentioned above no. 1 as it was issued in March 2022, i.e. close to the announcement of the collaboration between ISSB, the issuer of the IFRS, and the Value Reporting Foundation. Since what was indicated in Draft S1 was issued in 2022, it is inevitable that the standards that will issue in the future from the consolidation of certain bodies whose primary task is to issue standards regarding sustainability and from the collaboration between these bodies and the ISSB will also take as a reference the latest standards issued by the bodies subject to consolidation and cooperation. As we have reported on the concept of materiality contained in the document published in September 2021 by the Value Reporting Foundation, we have deemed it appropriate also to indicate the concept of materiality organised in draft S1 published by ISSB. These references, as we have already had to reiterate, given their issuance in proximity to the consolidation between several bodies and the collaboration between several bodies recently announced, will undoubtedly be essential reference points for the distribution of the following standards concerning sustainability and, in particular, concerning the concept of materiality

Consolidation and collaboration between organisations can only be interpreted positively from a doctrinal and pragmatic point of view. From what has been reported above, in particular, with reference to the consolidation of various bodies and the collaboration between them to achieve consistent and univocal standards for all companies, it can be understood how the document illustrated above and the concept of materiality, which will be examined in depth in September 2021 by the Value Reporting Foundation, will undoubtedly be an essential reference point for the issuing of the following standards by the body deriving from the consolidation of the various bodies that were previously separate. This will lead to the issuance of single standards for the various companies belonging to different sectors and business categories and will facilitate the work of those who have to draw up a sustainability report, as they will not have to choose between a multitude of models that, although they have points in common, also have many differences in the past.

Conclusions

From the previous pages, it is clear that there is a worldwide tendency to merge the various bodies into a single body or collaborations between the multiple associations issuing sustainability standards. This is to be welcomed, as has already been stated above, because the presence of an assortment of models and concepts, identified with identical words, created and may still create difficulties, however, at both the operational and doctrinal levels. The consolidation of various bodies or the collaboration between bodies issuing such standards will lead to the issuance of unique standards resulting from the integration of the experience of each body forming part of this consolidation and these collaborations. Some organisations, however, have not been included in this consolidation or collaboration and will therefore continue to issue their standards. Each company will decide which standards it will apply unless legislation requires the application of specific standards issued by a particular organisation. The trend, however, that can be

seen in this matter must be interpreted favourably, and insofar as it aims at a single objective two points to have a single set of standard principles, in this case of sustainability and, hopefully in the future, also of a financial nature, single and therefore applicable to all companies without them having to choose between various sets of principles. Of course, by "all companies", we mean companies belonging to individual economic sectors, as it is now generally accepted - and this is the operating practice of the standard-setting bodies - that the principles must be consistent with the various economic sectors in question. This can only be viewed positively on both a doctrinal and pragmatic level.

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