



TRAINER NOTES UNIT 9.2: MATERIALITY AND COMPLETENESS

1. Objective

The objective of the PowerPoint presentation for unit 9.2 is to deepen the knowledge about two key concepts in the NFIR analysis: materiality and completeness.

To meet this objective, the scope of both concepts will be introduced, and essential elements of how to carry out an analysis of contents of NFIRs under both concepts will be explained.

2. Description of contents

Materiality and *Completeness* are two very important reporting principles for defining contents of NFIR. By assessing both and the way they have been addressed, it is possible to draw conclusions on the quality and credibility of a NFIR.

Both concepts are included among the reporting principles for defining report content following GRI standard.

a. Materiality

Materiality is the principle that determines which relevant topics are sufficiently important that it is essential to report on them.

So material topics are those that reflect the most important economic, environmental and social impacts of companies.

Also, material topics are those that substantively influence the assessment and decisions of stakeholders (e.g. shareholders investments, purchases of customers, involvement of workers...).

NFIR's materiality analysis is essential to determine if a report aims at being an information and management tool providing reliable information about the performance by companies or, on the contrary, whether a report is aimed at being a marketing or green-washing tool. Sometimes, NFIR have high quality and quantity contents but if material topics are skipped and not included, reports do not respond to what is demanded.

To determine what is material, it's necessary that companies carry out a qualitative analysis, a quantitative assessment and discuss the results with internal and external stakeholders.

There are two essential elements to address materiality: impacts of companies and stakeholders concerns.



For determining materiality, companies should carry out a materiality process:

1. Identification of issues
2. Materiality analysis of issues identified previously
3. Selection of issues to report.

Results from materiality process are reflected in most cases, in a materiality matrix.

Because analysts cannot say with certainty, what is more material or less material for a company, they have to focus on the materiality process rather than the outcome. It is important to assess the credibility of the methodology for determining the material topics that companies have applied.

As materiality may be at the discretion of companies to determine what is relevant, it is important to assess:

- involvement of stakeholders in materiality process (linked to list of stakeholders)
- what is material for that sector through press releases, news of sources of information on impact of companies → secondary information review or reports from other social bodies
- if the methodology used for the materiality process is reliable, comprehensive and freely accessible
- sustainability approach, society concern and upstream / downstream impact assessment
- if material topics respond to the sustainability context in which the activity of the company is framed
- materiality linked to Sustainable Development Goals (SDG), balances social perspective against corporate perspective

When assessing materiality, analyst can follow these questions:

- Is there a Materiality Analysis? Materiality Matrix?
- Is there a methodology used for the Materiality Analysis available?
- Were significance of economic, environmental and social impacts taken into account when selecting the priority of topics in the Materiality Analysis?
- Was the identification of significant environmental, social and economic impacts based on impact evaluation or life cycle analysis methodologies?
- Were requests from stakeholders taken into account in the Materiality Analysis? (Aspect linked to a weak/strong stakeholders identification and involvement).
- Is there feedback from stakeholders on previous report and inclusion of their comments?
- Do material topics include performance data?
- Is there an impact approach of companies: impacts from supply chain (upstream) and consumers, customers, users, etc (downstream)? Or outsourcing of responsibility because outsourcing of production?
- Is there a materiality approach concerning global sustainability (not only company sustainability): reference to Sustainable Development Goals?
- What are the stakeholders concerned and materiality aspects covered in each section?
- Are the material economic, environmental and social topics balanced?
- Are stakeholders' views balanced?



Analyst can provide an analysis on materiality, assessing how far these questions are addressed / included in the NFIR. Results from this materiality assessment will be very important for assessing other key elements as content of NFIR (i.e. objectives set by companies, due diligence process, key performance indicators, etc) but, overall, results from materiality assessment will provide information on credibility, commitment, completeness, etc. of NFIR.

b. Completeness

To explain the concept and scope of completeness, the GRI standard definition is applied:

The report shall include coverage of material topics and their boundaries, sufficient to reflect significant economic, environmental, and social impacts, and to enable stakeholders to assess the reporting organization's performance in the reporting period.

To meet this:

1. The report has to take into account impacts that the reporting organization causes, contributes to, or is directly linked to through a business relationship, and it has to cover and prioritize all material information on the basis of the principles of materiality, sustainability context and stakeholder inclusiveness;
2. The information in the report includes all significant impacts in the reporting period, and reasonable estimates of significant future impacts when those impacts are reasonably foreseeable and can become unavoidable or irreversible;
3. The report does not omit relevant information that substantively influences stakeholder assessments and decisions, or that reflects significant economic, environmental, and social impacts.

In order to assess how a far NFIR meets these completeness principles, the analyst must take into account the following questions:

- Does the report include information on impacts that the company causes, it contributes to as well as on impacts that are directly linked to its activities, products or services through a business relationship?
- Does the report include positive and negative aspects from company performance? It is important to assess if data/information on negative impacts from companies is provided (not only positive impacts or performance improvements).
- Is the information disaggregated by countries, regions, workplaces? Global impacts or also local impacts? When NFIR disclosure aggregated information and sources



and complementary information are not provided, it is difficult to assess data /information.

- Is information about supply chain and value chain provided? Social responsibility of companies extend to all their value/supply chain so, from a completeness approach, it is essential to verify that supply and value chain were taken into account and well reflected in contents on NFIR.
- How deep is the description of the impacts and is there an explanation why they were considered relevant? Materiality process assessments' results are very important for completeness assessment.
- Does the report explicitly mentions material topics from external and internal stakeholders? Are needs, expectative and concerns from each stakeholder group well identified?
- Are all aspects that were identified as material covered in detailed in the following parts of the report?
- Is data of performance reported for each material topic?
- Is information about management of material issues (including indicators) provided?
- Are targets linked to material issues? Is Sustainability Strategy set by company linked to material topics?

Working on these questions, analyst will be able to provide a completeness assessment of a NFIR.



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