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Issue Brief

Double Materiality is Changing: Highlighting New Revisions from EFRAG



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As part of the Omnibus Package, the European Commission requested simplification and streamlining of the European Sustainability Reporting Standards (ESRS). One major element undergoing significant changes: double materiality.

Many stakeholders have turned their attention to a vital element of corporate sustainability reporting in Europe: double materiality. This is a statement of impacts running in two directions – how sustainability issues affect a business and how the business affects people and the environment. Double materiality is a central feature of complying with the EU's Corporate Sustainability Reporting Directive (CSRD).

But the requirements for fulfilling the double materiality requirement have proven to be confusing and unwieldy as companies put them into practice, raising questions about how an organization can conduct a double materiality assessment (DMA) in a manageable way.

This issue brief reviews the latest changes to the DMA process proposed in the newly published [ESRS Exposure Drafts](#). The European Financial Reporting Advisory Group (EFRAG), the group responsible for the ESRS, has launched a public consultation on these drafts that runs through 29 September 2025.

Stakeholder feedback will be vital to ensure the DMA is both realistic for companies and a useful tool for raising the bar on corporate accountability. G&A encourages all interested parties to use the insights provided in this brief to help navigate and respond to the proposed revisions.



Double Materiality: Concept vs. Practical Application

The concept of double materiality is a central element of sustainability reporting under CSRD, and it has remained intact amid revisions to CSRD currently underway as part of the simplification effort proposed under the Omnibus Package. The European Commission has confirmed that:

"The omnibus proposal does not change the 'double materiality perspective', meaning that companies remaining in scope will have to report about how sustainability risks affect their business and about their own impact on people and the environment."

– European Commission comment, February 2025

While the concept itself remains intact, the practical application of double materiality is currently being revised by EFRAG under the direction of the European Commission. After reviewing public feedback following the first wave of CSRD reporting, EFRAG concluded that the DMA process had become overly burdensome:

"The Materiality Assessment process is critical to establish the perimeter of the sustainability statement and pivotal to ensure that undertakings only report material information, that they do not report unnecessary information nor dedicate excessive resources to the materiality assessment process. Initial feedback seems to suggest that required disclosures on the process may be too detailed and the outcome of the process may lead to disclose too many/too detailed IROs. The Omnibus proposals have identified this area as to be clarified."

– EFRAG comment, April 2025

To remedy the application issues with the DMA – which remains crucial to sustainability reporting under CSRD – EFRAG has proposed several revisions contained in the ESRS Exposure Drafts. The major changes related to double materiality have been outlined below, but readers should also take note that the ESRS overall have been heavily revised in the following ways:

- + Removed redundant language
- + Simplified particularly complex language
- + Merged sections with overlapping concepts
- + Increased interoperability with the ISSB Standards where possible
- + Reduced required level of granularity for reporting where possible
- + Added reporting burden reliefs and additional flexibility



1 – Information Materiality

([ESRS 1 Exposure Draft](#) pgs. 8–13)

Section 3.1 Materiality of information as a general filter for reported information

This new section was created to add additional clarity on the concept of information materiality as an overarching principle of reporting. It is highly aligned with [IFRS S1](#) and includes the following definition for materiality:

Information is material when:

- + omitting, misstating or obscuring that information could reasonably be expected to influence decisions that primary users of general purpose financial reports make based on those reports, including financial statements and the sustainability statement; or
- + it is necessary for users of general purpose sustainability statements to understand the undertaking's material impacts, risks and opportunities and how it identifies and manages them.

Section 3.6 Determining the information to be reported in accordance with [Draft] Amended ESRS 2 and topical standards

This new section extends the application of materiality to both the topical standard datapoints as well as the general ESRS 2 datapoints. Now, only datapoints that are material are to be included in the sustainability statement. Other language throughout the ESRS 1 Exposure Draft concerning the mandatory or “shall always disclose” nature of ESRS 2 datapoints has been deleted or revised to support this point.

Why this change matters: These changes maintain and strengthen the centrality of double materiality as the determining factor for what to include in the sustainability statement.



2 – Practical Considerations

([ESRS 1 Exposure Draft](#) pgs. 12–13)

Section 3.5 Practical considerations in determining the material impacts, risks and opportunities and their associated topics to be reported

With the intent of reducing the overall effort required to perform a comprehensive DMA, EFRAG added a new section to the ESRS 1 draft. This section proposes additional clarity on what is and is not expected for a DMA, as well as recommendations for how companies can avoid unnecessary complication in the process. A few notable changes include:

- + Direction for companies to focus on areas in the value chain that are most likely to have material impacts, risks, and opportunities (IROs)
- + Addition of a new relief aligned with ISSB Standards – use reasonable and supportable information that is available without undue cost or effort to identify material IROs
- + Specific guidance that companies are not required to assess every possible IRO across their value chain, but only those that are relevant
- + Guidance to avoid unnecessary complexity by starting a DMA with topics that are clearly material based on the business model, value chain, peer analysis, and strategic/business priorities

Why this change matters: Including more guidance sets up necessary “guardrails” for the DMA process – helping companies understand where the assessment should begin and end.



3 – Fair Presentation

([ESRS 1 Exposure Draft](#) pgs. 7–8)

Chapter 2: Fair presentation and qualitative characteristics of information

Particular emphasis on “fair presentation” has been added, with the revised draft including explicit reference to what “fair presentation” is and how it relates to materiality. This approach prioritizes the reporting principles of relevance and faithful representation of information and is also aligned with the approach under the ISSB Standards – IFRS S1 and IFRS S2. This change aims to allow more flexibility in how companies report and present their sustainability information.

Why this change matters: An emphasis on fair presentation helps shift ESRS away from being a “box-checking” compliance exercise and instead prioritizes a principles-based approach focused on information that is relevant, clear, and useful.



4 – Granularity

([ESRS 1 Exposure Draft](#) pgs. 14, 26–27)

Appendix A: List of topics (formerly Application Requirement 16)

Instead of the three topic levels previously included (topic, sub-topic, and sub-sub-topic), there are now only two (eliminating the level of sub-sub-topic). This significantly reduces the granularity of this illustrative list of topics to consider during the DMA.

3.2. Interaction between topics to be reported and material impacts, risks and opportunities

It has also been clarified that the materiality of a sub-topic does not automatically trigger reporting on all of the datapoints in the relevant topical standard, but only that sub-topic. Companies can report at the level of the entire topic or at the level of specific impacts, risks, and opportunities depending on which approach will provide the most relevant information based on how a company manages that topic.

Why this change matters: These changes help reduce the granularity that the previous DMA process would have prompted and allows more flexibility in how companies report on material IROs.



5 – Assessing Impacts

([ESRS 1 Exposure Draft](#) pgs. 9–11 & 31–32)

Section 3.3.1 Impact materiality assessment

To clarify some of the more technical and nuanced aspects of assessing impact materiality, EFRAG has drafted new guidance. Specific details are available on how to assess impacts when the company has implemented mitigation, prevention, or remediation policies and actions. This new guidance aims to clarify how companies should think about the materiality of actual impacts, and it specifies ways companies can account for existing or future policies and actions. For example, there is increased clarity in how to assess actual negative impacts:

- + Materiality of actual negative impacts will be based on the severity of the impact after considering any mitigation and prevention policies and actions that were implemented prior to the impact
- + Policies and actions implemented after the impact (remediation measures) will not be considered in assessing the materiality of an actual impact

Why this change matters: This aspect of the DMA is technically complex and proved challenging during implementation. Additional guidance should help clarify how companies approach their assessment of impacts.

What's Next

Materiality has long been a foundational aspect of sustainability reporting, and the concept of double materiality has shifted the way that many companies think about and manage the sustainability issues most relevant to them. As a cornerstone of effective sustainability reporting under CSRD, it is critical that the DMA process is both thorough and not overly complex. The revisions proposed in the ESRS Exposures Drafts help balance these competing goals and, if approved, should reduce the overall reporting burden on companies. G&A will monitor the public consultation and continue sharing information on the revision process will affect companies in their evolving sustainability reporting work.

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