

Chapter 8

Exploring the Matters by ESG Dimensions Disclosed Within the European Entities' Materiality Matrices: Are There Differences Explained by the Entities' Specific Characteristics?

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ABSTRACT

The concept of materiality is essential in the fields of accounting and auditing, enabling the identification of important issues from the entities' perspectives and

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those affected by it. This research focuses on the disclosure of materiality in non-financial information (NFI) reporting, assessing the topics disclosed within the entities' materiality matrix by ESG dimensions and considering their characteristics, such as size, profitability, debt, and gender diversity on the board of directors. The research uses archival research as a methodology and content analysis as an investigative technique, examining NFI reports for the year 2021 from companies listed on Euronext's main indices. The findings from the 69 NFI reports show the matters on the social aspect as the most disclosed, which is also the ESG dimension where those characteristics do not appear to be relevant when it comes to their disclosure levels. This study provides value to literature and practice by offering insights to standard-setter bodies, regulators, auditors, and various stakeholders involved in NFI reporting.

INTRODUCTION

Materiality is an elementary concept in the preparation and subsequent assessment of both financial and non-financial information (NFI), helping to identify the information considered relevant (Baumuller & Sopp, 2022). One of the main problems in terms of materiality is its subjective nature, with multiple definitions of the concept and the need to resort to judgments (Lai et al., 2017).

Historically, the first definitions of the concept of materiality were developed by entities involved in the standardization of financial reporting and the auditing of this information, namely the International Accounting Standards Board (IASB) and the International Auditing and Assurance Standards Board (IAASB), respectively (Chong, 2015), since the first reports contained information of a mostly financial nature (Mio & Fasan, 2013). Given the continuing difficulties in operationalising the concept of materiality, the IASB and IAASB have made recent efforts to clarify the concept of materiality and its application, through the revision of standards or the development of guidance guides (Sousa, 2017). Materiality is a concept of a flexible and changing nature (Edgley, 2014), realigning, and adapting to changing priorities and new challenges. However, the concept of materiality has traditionally been addressed in the field of financial reporting (Gibassier, 2019; Moroney & Trotman, 2016).

On the other hand, NFI has achieved great relevance due to the increased importance of data on performance evaluation, value creation, and sustainability in social, environmental, governance, ethical, and economic aspects (Green & Cheng, 2019; Torelli et al., 2020). In the face of growing awareness of environmental, social and governance (ESG) issues, entities must adapt their business practices and strategies to the needs and interests of stakeholders (Kolk & Van Tulder, 2010).

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