Orogen8

ESG SOLUTIONS

TECHNICAL NOTE · REVISED ESRS · JULY 2026

The Top-Down Materiality Assessment in Practice

Applying the revised ESRS approach to a completed double materiality assessment

On 3 July 2026 the European Commission adopted the delegated regulation amending the ESRS. [1] Among its principal modifications, materiality conclusions may now be reached top-down, at topic or sub-topic level, with a specific assessment required only where the conclusion is *not evident*. [2] The term carrying that structure i.e., "*evident*", is not defined, a gap ESMA has already raised. [3] This note sets out what the top-down approach changes, and a working method for applying it where a bottom-up DMA has already been completed.

Three modifications this note rests on

1. **The approach.** A materiality conclusion as "material" or "non-material" may be derived at topic or sub-topic level from an analysis of strategy and the business model, considering applicable sectors, geographies and the features of the value chain. Where the conclusion for one or more impacts, risks or opportunities is "*not evident*" from that analysis, a specific assessment of them is required. [2]

2. **The topic structure.** Appendix A of ESRS 1 is restructured: the sub-sub-topic layer is removed, with entries aggregated under sub-topics, elevated, or removed and the list itself is now non-binding guidance input to the assessment, not a mandatory checklist. A prior topic universe does not map one-to-one to the revised structure. [Annex I, Appendix A]

3. **The disclosure rule.** Undertakings "***shall not***" report information that is not material, other than in defined circumstances, replacing "*is not required to*" report. Over-disclosure becomes a departure from the standard, not a safe harbour. [4]

THE INFERENCE FLIP

Stage	Bottom-up (as performed)	Top-down (as revised)
Starting point	The full topic list, treated as a checklist, every entry enters the assessment	Strategy and the business model, sectors, geographies and value-chain features. The topic list is an input, not a checklist
Identification	IROs identified for every topic, the register runs to hundreds of entries	Only where the conclusion requires it. For material topics whose IROs are themselves reported <u>and</u> where the conclusion is **not evident**
Scoring	Every IRO scored: severity factors, likelihood and magnitude applied across the register	Only the not-evident topics. Effort concentrates where the call cannot be made
Conclusion	The output of aggregated IRO scores where evidence informs and generates the conclusion	A judgement made directly at topic or sub-topic level. Reasoning generates conclusion, evidence corroborates it
The register	The engine that produces conclusions	The evidence file that supports them
The file must prove	Completeness and scoring mechanics	The quality and basis of judgement including every non-material conclusion

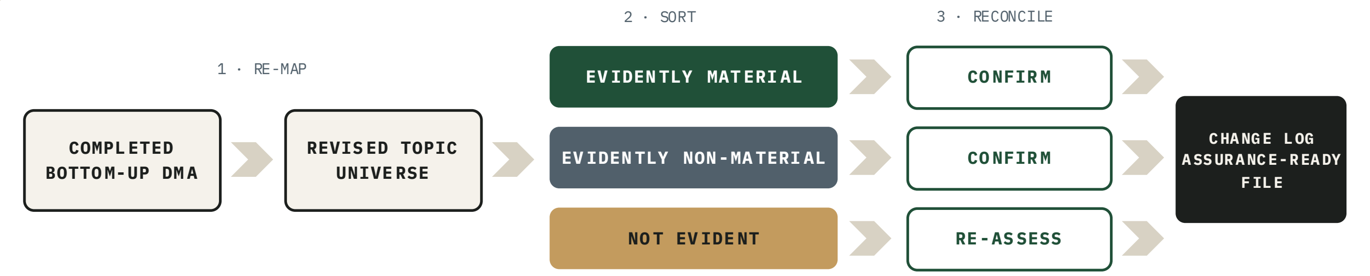
A completed IRO register is not discarded under this approach. It changes function from the generator of conclusions to the evidence base that supports them.

Applying top-down to a completed assessment

Orogen8
ESG SOLUTIONS

The operation runs per topic. Re-map to the revised structure and sort every topic through the three lenses of the top-down analysis, blind to the prior outcome then reconcile against that outcome. The lens and the reconciliation together determine the treatment.

METHOD



Where the lens and the prior outcome *differ*, the route is to **INVESTIGATE** before concluding (see page 3)

Step 1 — Re-map the topic universe

Review the prior universe to the revised Appendix A. Record a tag for every prior entry: (e.g., **carried, merged, elevated, relocated, removed, new)**. Re-tag every IRO in the register to the revised structure. Entries attached to removed sub-sub-topics re-attach at the parent level, they do not fall away. The revised list is non-binding guidance, but prior conclusions were expressed against the old structure: **the re-map is what makes them comparable**.

Watch aggregation. Prior conclusions attach to single entries in the old structure. Merged entries are now assessed as one and can be material together where neither was alone. Re-examine merged and elevated entries before carrying conclusions forward.

Output: → A re-tagged IRO register. **Note: reliefs come after conclusions.** Assess the full re-mapped structure. No topic is scoped out by a transitional relief. Reliefs act on disclosures, and which reliefs apply only becomes known once topics conclude material so the assessment determines the reliefs, never the reverse.

Step 2 — Sort through the three lenses, blind

For each topic and sub-topic, form the top-down view by reasoning from strategy and the business model, considering applicable sectors, geographies and the features of the value chain. [2] Every topic lands in one of three lenses: **evidently material**, **evidently non-material**, or **not evident**. The sort is performed blind: prior conclusions and prior scores are set aside. Underlying business facts remain admissible. Blind formation keeps the judgement independent and makes the reconciliation in Step 3 informative. The three lenses carry different work programs. This is where the efficiency of the revised approach emerges:

THE THREE LENSES AND THEIR WORK PROGRAMMES

Lens	IRO identification	IRO scoring	What the assessment records
EVIDENTLY MATERIAL	**Yes.** Material IROs identified at sub-topic level. Can be carried forward form a completed DMA and refreshed for change.	No	Conclusion, the material IROs, and the rationale
EVIDENTLY NON-MATERIAL	**No.** No IROs arise from the analysis of the business model, strategy, sectors, value chain.	No	Explicit documentation of the rationale for exclusion
NOT EVIDENT	**Yes.** Revised IROs carried forward from previous DMA *or* newly identified	Yes	The specific assessment and its concluded position

Identification persists for evidently material topics because SBM-3 and the topical standards report the material IROs themselves. **The conclusion does not need scores, but the reporting needs the IROs.**

The evident test. The adopted text's operative term is *not evident*; it is not defined. [2] ESMA's opinion recommended that the concept be complemented by, or replaced with, *objective uncertainty* as the parameter for when an undertaking must go beyond the top-down analysis. [3] This note applies a three-part test: a lens assignment of evidently material or evidently non-material holds only where all three criteria are met.

THE QUESTION TEST

Q: Could a different approach give a different answer? Any reasonable choice of thresholds, weightings or method reaches the same conclusion. If a defensible alternative could flip it, the topic is not evident.

Q: Have the facts changed? The circumstances the conclusion rests on (strategy, business model, value chain, footprint, products, regulatory exposure) are as they were at the prior assessment. If any have moved, the topic is not evident.

Q: Does any evidence disagree? Sector evidence, stakeholder input and the entity's own circumstances support the same conclusion. One credible source against it, and the topic is not evident.

The treatments, and the file that survives assurance

One yes to any of the three questions, and the topic is **not evident.** The bar is the same in both directions: an evidently non-material conclusion must pass the same three questions as an evidently material one. Excluding a topic is never the easier call. And evident conclusions are still documented, the reasoning is written down, only the scoring is skipped.

Step 3 — Reconcile and route

THE RECONCILIATION

Lens outcome vs prior outcome	State	Treatment
Evident lens: same conclusion as prior	**Agrees**	**Confirm**
Evident lens: opposite conclusion to prior	**Differs**	**Investigate**
Not evident: no comparison arises	**Not evident**	**Re-assess**

The three treatments

CONFIRM

Evidently material. Record the strategy and business-model reasoning. Carry the material IROs across from the re-tagged register, refreshed for business change with no scoring. The IROs feed SBM-3 and the topical disclosures.

Evidently non-material. Record the reasoning for the exclusion. The topic's register entries move to the evidence file. Nothing else is produced. The risk on both paths is thin documentation. Every confirmed conclusion needs a basis dated to the reporting period.

INVESTIGATE

Where the reconciliation "differs", find the driver before concluding:

- Business change: acquisition, divestment, new geography or product;
- Aggregation: merged or elevated entries now assessed as one position (Step 1);
- Prior scoring artefact: mitigation netted into old scores, threshold placement, or wrong granularity.

Resolve the driver and conclude *or* route to re-assess where real uncertainty remains.

RE-ASSESS

The specific assessment on not-evident topics only. Start from the existing IRO register entries, refreshed for change (per Step 1). Score against existing evidence. If they can they reasonably be assumed to reduce severity or likelihood, document the judgement as it is itself tested.[5]

Re-evaluate appropriateness of thresholds and re-engage stakeholders only to support changed or borderline conclusions.

Material conclusions then pass to disclosure scoping under *shall-not-report*. [4]

Why scrutiny moved to the assessment itself

The modifications cut mandatory datapoints while making materiality the gate for everything that remains. Assurance effort follows: less testing of data mechanics, more testing of judgement. Limited assurance is the statutory bar, [6] ISSA 5000 applies from periods beginning 15 December 2026, [7] and limited assurance tests the basis and process of a conclusion, never its outcome. The file below is what gets tested.

WHAT THE ASSURANCE PROVIDER WILL EXAMINE

Area	THE ASSURANCE EXAM
Process description (IRO-1)	Does the method described in IRO-1 match what was actually done? A bottom-up narrative over a top-down file is a finding.
Non-material conclusions	Show me why this topic is out. Every exclusion carries a recorded rationale. *"Shall not report"* makes each one a testable assertion. [4]
Evident judgements	Who made this call, on what basis, and when, and could a defensible alternative have reached the other answer? [3]
The re-map	Where did every prior entry go? Merged positions may be examined.
Scoring, not-evident topics	Show the scoring. Actions counted only where effectiveness is evidenced[5]. Thresholds applied as the methodology states. Calculations are correct.
Evidence dating	Is this basis current? Dated to the reporting period, not carried over from the old file.
Governance	Who approved, and does the reporting agree? Sign-off on the revised conclusions. IRO-2 and SBM-3 match the concluded positions.

SOURCES

1 Commission Delegated Regulation of 3 July 2026 amending Delegated Regulation (EU) 2023/2772 — C(2026) 5010. https://ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2026-5010_en.pdf

2 Annex I (the adopted standards), revised ESRS 1, par. 27–28. https://ec.europa.eu/finance/docs/level-2-measures/csrd-delegated-act-2026-5010-annex_en.pdf

3 ESMA, Opinion on the revised ESRS, ESMA32-846262651-5440: the notion of not evident is unclear, will require application guidance and examples, and should be complemented by or replaced with a reference to objective uncertainty.

4 Explanatory Memorandum to C(2026) 5010: undertakings "shall not" report information that is not material, other than in clearly defined circumstances, replacing "is not required to" report.

5 Revised treatment of prevention, mitigation and remediation actions effectiveness must be capable of being reasonably assumed and evidenced; Annex I, revised ESRS 1 par 43 (b).

6 Omnibus I Directive amendments: reasonable-assurance escalation removed; limited assurance is the statutory requirement.

7 IAASB, ISSA 5000, General Requirements for Sustainability Assurance Engagements. Final Pronouncement, November 2024. Effective for assurance engagements on sustainability information reported for periods beginning on or after 15 December 2026.