50 Shades of Materiality – Different Users, Different Needs

Company Information

Shareholder

Stakeholder

Management
Materiality Depends on Audience, Decisions (and Importance)

**US Supreme Court Definition**

Presenting a **substantial likelihood** that the disclosure of the
omitted fact would have been viewed by **the reasonable investor**
as having significantly altered the “total mix” of information … the omitted fact would
have assumed actual **significance in the deliberations**...


**IASB Definition**

An entity-specific aspect of relevance (**making a difference** in
users’ decisions) based on the nature or magnitude of the information
in a **financial report**

Faithful Representation Requires Appropriate Metrics

**From:** Percentage of marketing campaigns where young people make up 10-30% of target audience

**Industry Consultation**
- Marketing to audiences above legal drinking age
- Measure of compliance with industry self-regulation

**Analyst Consultation**
- Metric on percent of responsible marketing impressions
- Brand/reputational risk
- Regulatory risk if self-regulation fails

**Materiality Research**
- 97% of advertising in compliance with self-regulation; 86% of impressions above legal age
- Exposure to lawsuits & future regulations

**To:** Number of advertising impressions, percentage made on individuals above the legal drinking age