

Double materiality: practical considerations for preparers and auditors

11 December 2023

Panel

- **Harry Everaerts, IRE**
- **Anne-Catherine Trinon, Cap Conseil**
- **Anne-Catherine Zoller, D'leteren Group**
- **Bert Vandewalle, AG Insurance**



1. How can we meet the major challenges of the double materiality exercise in a pragmatic and auditable manner? Suggestions on the list of the material topics, stakeholder consultation and thresholds. How do preparers assess the materiality of material IRO's and develop a scoring-mechanism for both impact and financial materiality?

Introduction: The principles (High Level by Harry)

The ESRS requires all companies within the scope of the Corporate Sustainability Reporting Directive (CSRD) to report on sustainability matters based on the **double materiality principle**

Double materiality has two dimensions:
Impact materiality and **financial materiality**

Both assessments should be performed, as they are interrelated and the interdependencies between these two dimensions need to be considered.

A sustainability matter is 'material' when it meets the criteria defined for **impact materiality** or **financial materiality** or **both**

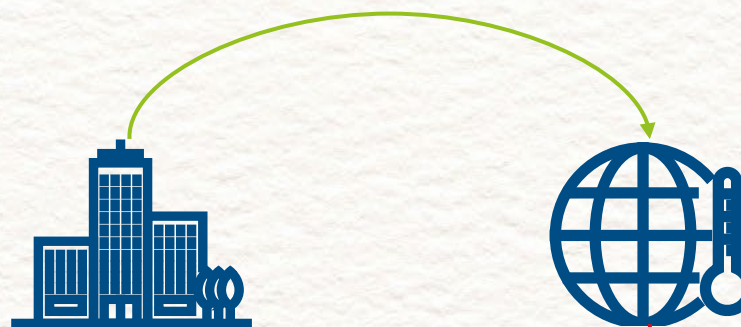
IMPACT MATERIALITY

A sustainability matter is material from an **impact perspective** when it pertains to the company's material **actual or potential, positive or negative impacts on people or the environment over the short, medium and long term.**

A material sustainability matter from an impact perspective includes impacts caused or contributed to by the company and impacts which are directly linked to the company's operations, products, and services through its business relationships.

Business relationships include the company's **upstream and downstream value chain** and are not limited to direct contractual relationships.

INSIDE-OUT PERSPECTIVE



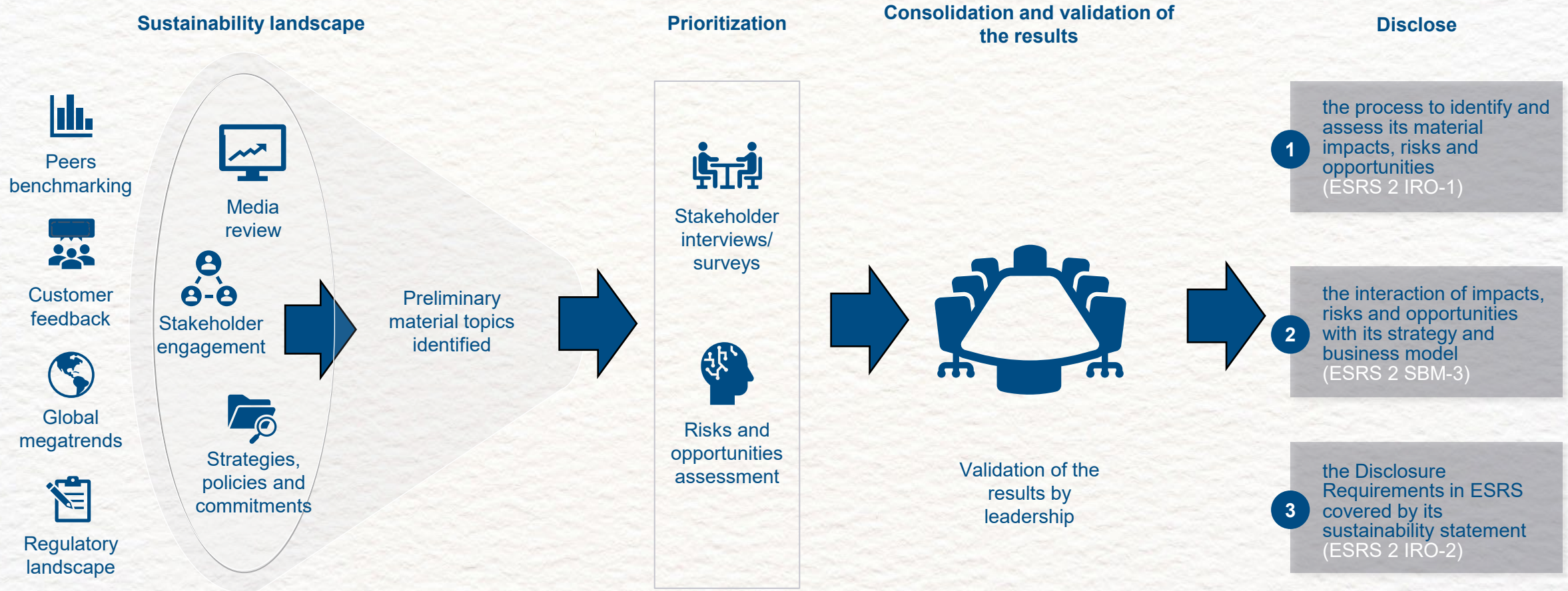
OUTSIDE-IN PERSPECTIVE

FINANCIAL MATERIALITY

- A sustainability matter is material from a **financial perspective** if it triggers or may trigger **material financial effects** on the company
- A sustainability matter triggers financial effects on the company when it generates **risks or opportunities** that have an influence (or likely influence) on the companies':
 - Cash flows
 - Performance
 - Position
 - Development
 - Cost of capital or access to finance
- Materiality is not constrained to matters that are within the control of the company but includes information on material risks and opportunities **beyond the scope of consolidation** used in the preparation of financial statements.

2. How can we meet the major challenges of the double materiality exercise in a pragmatic and auditable manner? Suggestions on the list of the material topics, stakeholder consultation and thresholds.

Some key steps in the double materiality assessment (High Level by Anne-Catherine T)

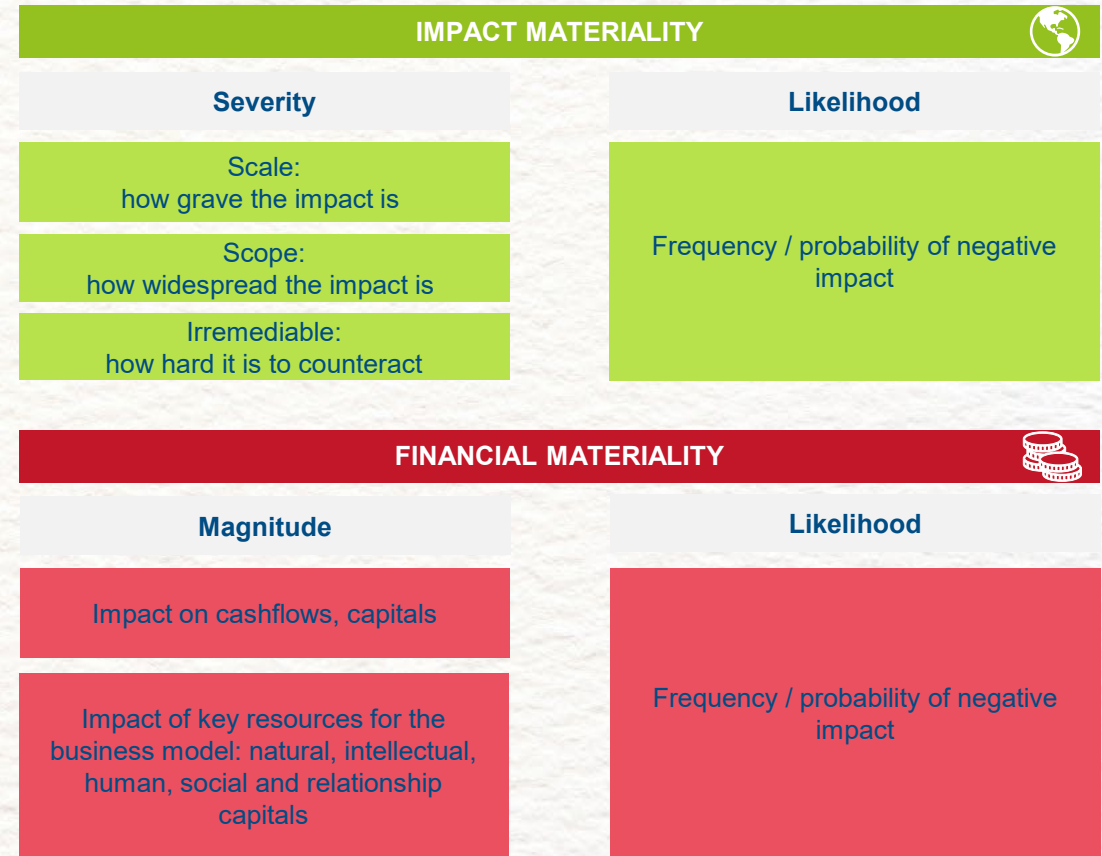
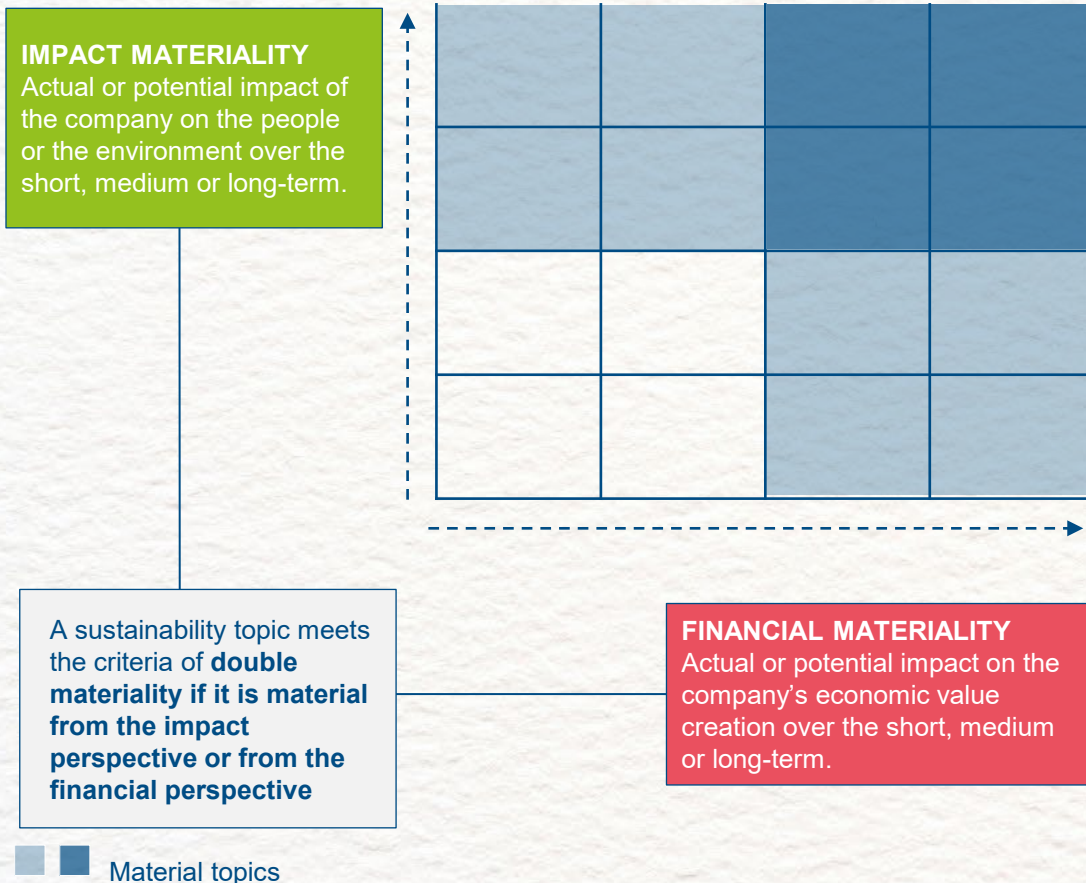


Discussion points

- Best practices on how to select key stakeholders to identify the material IRO's? (Bert and Anne-Catherine Z)
- Best practices how to approach such stakeholders? (Anne-Catherine Z and Bert)
- How do you best consider all the criteria? (Anne-Catherine Z and Bert)
- Any tips in terms of ring-fencing the supply chain? (Anne-Catherine T)
- What are the main challenges for auditors in the determining the material impacts, risks, and opportunities? (Harry)

3. How do preparers assess the materiality of material IRO's and develop a scoring-mechanism for both impact and financial materiality? .

Double materiality – key concepts (High Level Harry)



Discussion points

- Do you best use a numerical score to rank impact materiality or a more qualitative scoring? (Bert and Anne-Catherine Z)
- How do you factor in “likelihood” in the formula for impact materiality? (Bert and Anne-Catherine T)
- Tips how to assess financial materiality? (Anne-Catherine Z)
- How do you determine the threshold for both types of materiality (Bert, Anne-Catherine Z, and Anne-Catherine T)
- What procedures will the auditor do? (Harry)

4. Questions from the audience

Evaluation

Open the Qr Code to evaluate the workshop



Next Workshops

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- **Context (CSRD), methodology, and strategic value risk assessment with practical insights from Solvay!** – Tuesday 16 January 2024 (12.00-13.30)
- **ESG: New (EU) sustainability legal requirements: what do they entail and how can my company prepare for the reporting and its audit?** – Tuesday 30 January 2024 (12.00-13.30)
- **Deep dive into the EU Taxonomy requirements with practical cases, how to avoid the common pitfalls and leverage on industry best practices** – Monday 12 February 2024 (12.00-13.30)
- **The G as a driver of sustainable value creation** – Tuesday 27 February 2024 (12.00-13.30)
- **What is the role of the financial intermediaries when building a sustainable future?** – Monday 11 March 2024 (12.00-13.30)
- **Assurance on Sustainability information: requirements and how to get ready** – Tuesday 26 March 2024 (12.00-13.30)

Thank you for your attention