



LFCA Academy

Resources

Double Materiality Assessment Toolkit

Materiality Finder

Environment

GHG Emissions

Air Q

Energy Management

Water & Wastewater Man

Social Capital

Human Rights & Commun

Customer Privacy

D

Access & Affordability

Human
Capital

Labor Practices

Emp

Employee Health & Safety

Business
Model and
Innovation

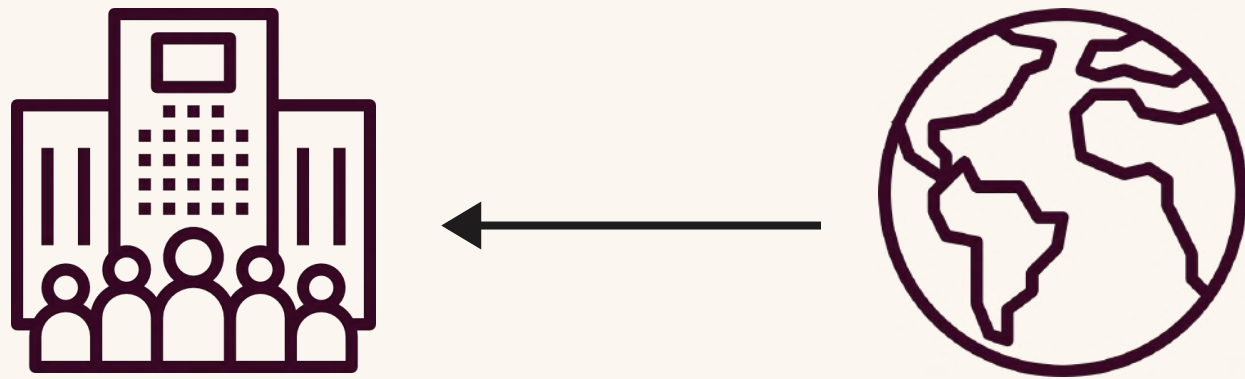
Product Design & Lifecycle

Business Model Resilience

What's Double Materiality?

- The **Corporate Sustainability Reporting Directive** (CSRD) aims to enhance the quality of sustainability disclosures.
- Key to CSRD is the Double Materiality Assessment, which takes into account impact materiality and financial materiality.
- A sustainability matter meets the double materiality criterion if its material from **impact** or **financial** perspective or **both**.

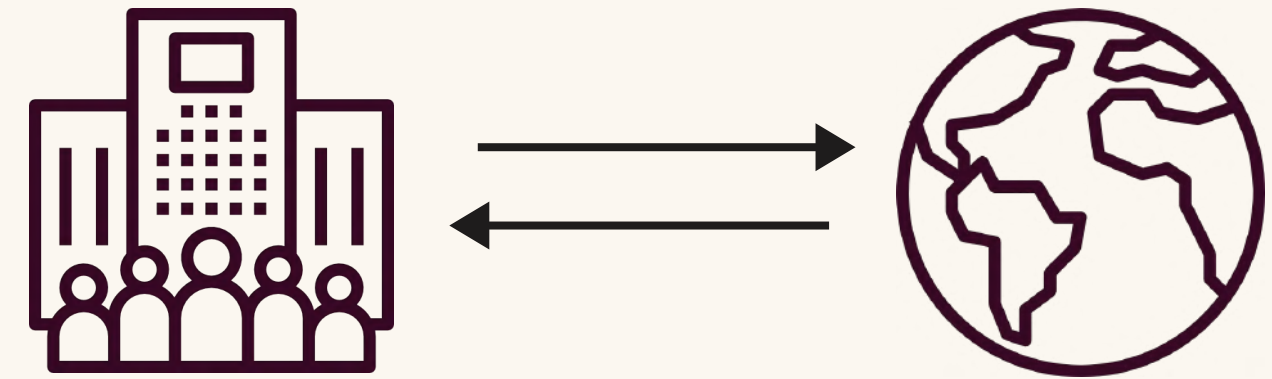
Financial materiality



Financial materiality

Fish stock decrease affects the company profitability.

Double materiality



Financial materiality

Fish stock decrease affects the company profitability.

Impact materiality

Company activities threaten fish stock.

1. Follow our checklist

1. Engage your stakeholders

- ❑ Identify relevant stakeholders based on AR* 6 (think: employees, suppliers, consumers, local communities, regulators)
- ❑ Recognize nature as a silent stakeholder
- ❑ Collect feedback from affected stakeholders on material impacts, risks, and opportunities (AR 8)

2. Assess impact materiality

2.1. Understand context (AR 9a)

- ❑ Analyse activities and business relationships
- ❑ Recognize stakeholders' relevance

2.2. Identify actual and potential impacts (AR 9b)

- ❑ Engage with stakeholders and experts for insights
- ❑ Use scientific and analytical research to understand sustainability impacts

2.3. Assess materiality (AR 9c)

- ❑ Set thresholds for which impacts are material
- ❑ Decide which impacts will be included in your sustainability statement

See **Sections 4–6** of this pack for relevant tools and resources.

Global Reporting Initiative (**GRI**) and the Sustainable Accounting Standards Board (**SASB**) provide helpful metrics and standards

SWOT Analysis can help understand strengths, weaknesses, opportunities, and threats of various impacts.

Life Cycle Assessment Tools: Tools like **OpenLCA** can help in understanding the environmental impacts of your products or services.

3. Determine severity

- ❑ Assess scale (AR 10a)
- ❑ Determine scope (AR 10b)
- ❑ Evaluate irremediable character (AR 10c)
- ❑ Prioritise human rights impacts based on severity over likelihood

4. Connect impacts to your company

- ❑ Evaluate how negative impacts relate to your operations and relationships (e.g. use of materials connected with child labour) as per AR 12.

5. Assess financial materiality

- ❑ Understand impacts and dependencies as risks or opportunities (AR 13)

5.1. Identify risks and opportunities (AR 14)

- ❑ Recognize dependencies on natural and social resources
- ❑ Categorise as sources of risks or opportunities

5.2. Determine which are material for reporting (AR 15)

- ❑ Consider the likelihood of occurrence
- ❑ Gauge potential magnitude based on financial effects.

6. Incorporate sustainability matters

- ❑ Consider the list of matters in AR 16, including ESRS E1 to E5.
- ❑ Use the list as a tool, not as a substitute.
- ❑ Address entity-specific disclosures not covered by ESRS.

A Risk Assessment Matrix can help in gauging the severity and likelihood of impacts

The UN Guiding Principles on Business and Human Rights offer guidance on assessing human rights impacts.

Software like **Sourcemap** can be used to trace and visualise supply chain relationships

Platforms like Bloomberg's ESG Data Service or Refinitiv's ESG Data can provide insights on ESG metrics.

Specialised software like **MATLAB** can be helpful in modeling potential financial impacts.

Platforms such as **CDP** and **EcoVadis** can provide insights into how competitors and peers are addressing certain sustainability issues.

7. Document and report

- ❑ Ensure findings, engagements, and decisions are well-documented.
- ❑ Prepare a sustainability statement with the determined material impacts.
- ❑ Ensure compliance with the relevant Disclosure Requirements of the applicable topical ESRS.

See Sections 9–10 of this pack for further guidance



Additional tips

- **Do not hide negative aspects.** Instead, acknowledge them and discuss improvement plans.
- Regularly **review and update your materiality assessment** to reflect current realities and emerging trends.
- **Use standardized metrics** and **compare** with previous years for context.
- **Involve external parties** to verify the accuracy and reliability of your statement to enhance credibility.
- Ensure **aggregations don't make the data harder to understand.**
- Recognize that **certain topics might have overlaps** (e.g. impacts on people and the environment). Highlight these and ensure that the core information of each remains distinct.

Credit: Dr Ciarán O'Carroll

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<https://www.linkedin.com/in/ciaranocarroll>

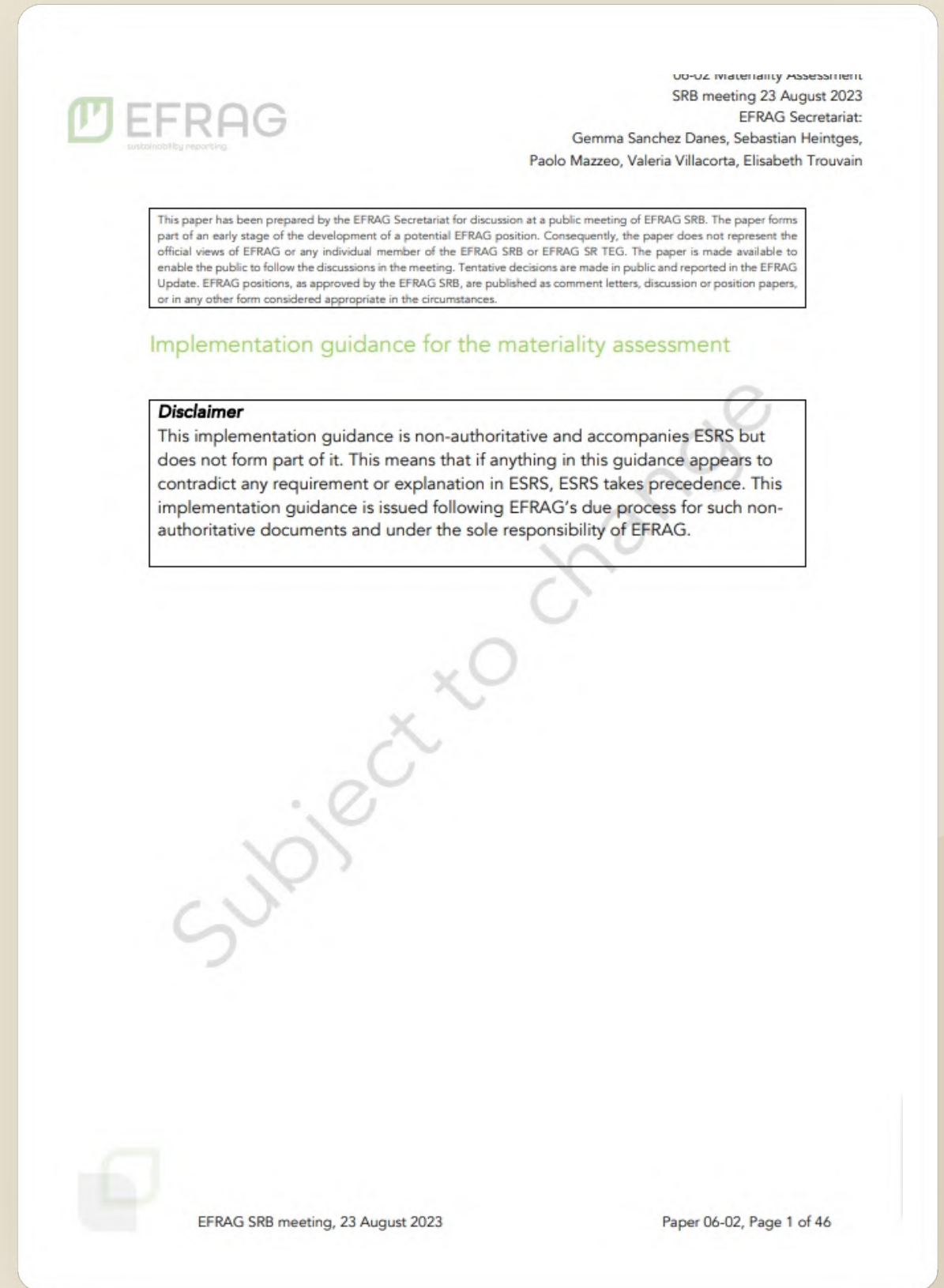
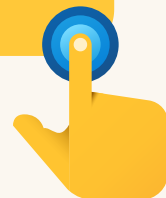
2. Read EFRAG guidance



Good to know

- European Financial Reporting Advisory Group (EFRAG) was appointed technical adviser develop draft ESRS
- This guidance is separate from ESRS, and may change over time
- Quite technical and does not prescribe specific methods for involving stakeholders, or for conducting materiality assessments

[Click here](#)

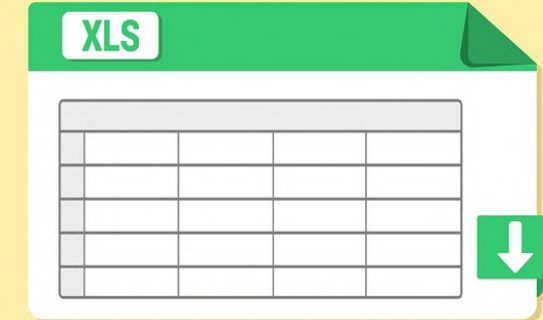


3. Look through ESRS datapoints

Good to know

- The Excel file includes the complete list of all 1178 disclosure requirements in sector agnostic standards.
- It covers all the standards, except ESRS 1 General Requirements, as it does not set specific disclosures.

[Click here](#)



Standard (click to jump):

[ESRS 2 - General Disclosures](#)

[ESRS 2 - Minimum Disclosure Requirements \(MDR\)](#)

[E1 - Climate Change](#)

[E2 - Pollution](#)

[E3 - Water and Marine Resources](#)

[E4 - Biodiversity and Ecosystems](#)

[E5 - Resource Use and Circular Economy](#)

[S1 - Own Workforce](#)

[S2 - Workers in the Value Chain](#)

[S3 - Affected Communities](#)

[S4 - Consumers and End-users](#)

[G1 - Business Conduct](#)

4. Check out other toolkits

Good to know

- Practical playbooks created by Big Four accountancy firms
- In contrast to EFRAG guidance, they do recommend specific approaches and give practical advice

BCG

Deloitte



WHITE PAPER

The New Double Materiality Assessment

A Toolbox for Companies

February 2023
By Lorenzo Fantini, Jannik Leiendecker, and Benedetta Testino

5. Run a team workshop

Good to know

- This template by The Good Tribe, a social impact agency, contains a prepared session plan with thorough instructions, timings, a list of required materials, sample slide deck and much more 🗉

[Click here](#)



THEGOOD
TRIBE

TEMPLATE
MATERIALITY ANALYSIS
WORKSHOP

Evelina Lundqvist, The Good Tribe
SessionLab, September 2018

03:00

The materiality analysis workshop - a powerful tool for sustainable development

Last edit was 2 hours ago

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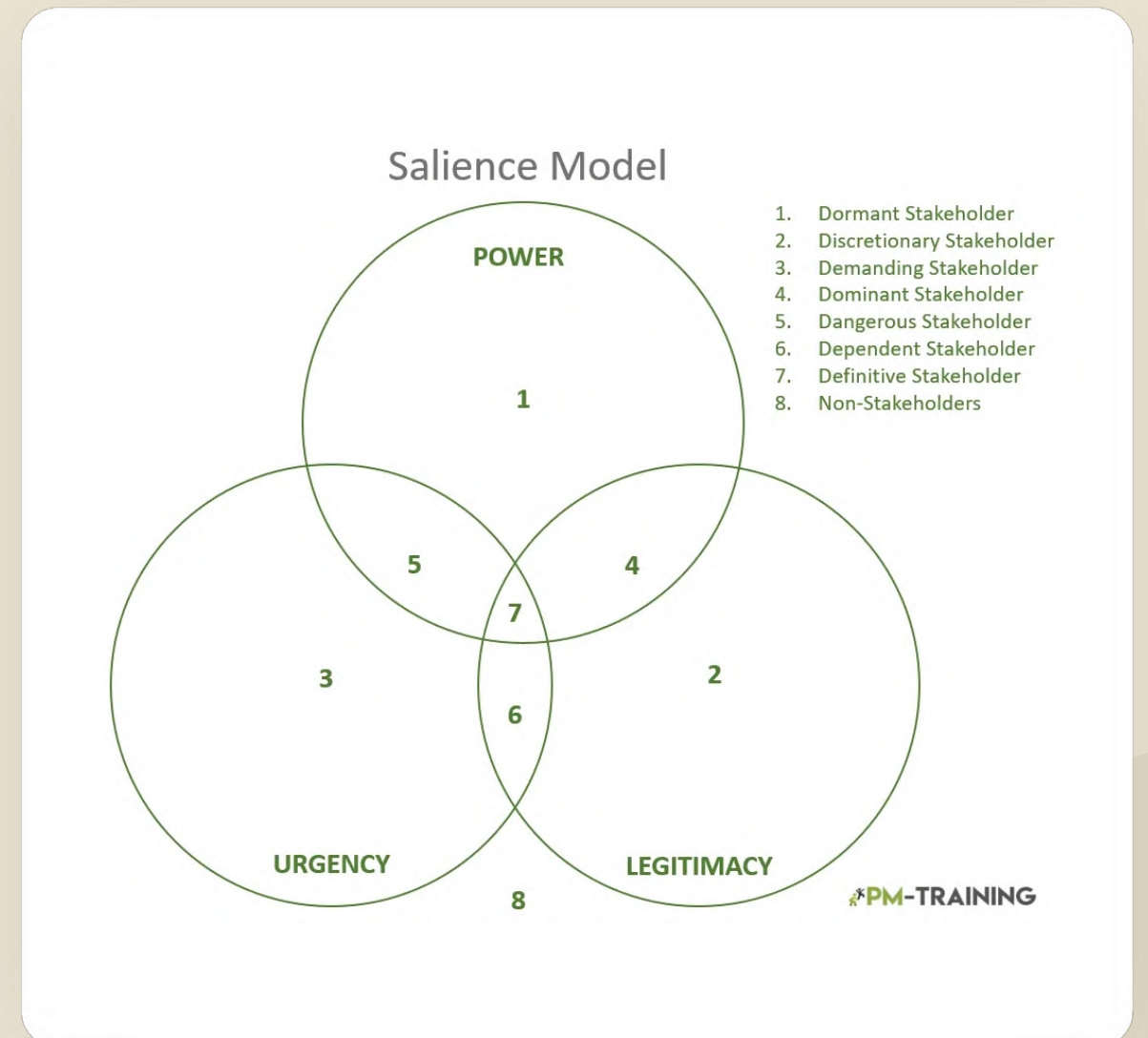
6. Identify stakeholders



Good to know

- The Salience Model is a practical tool to weigh the relative contributions of different stakeholder groups
- It categorises stakeholders' claims in terms of power, urgency, and legitimacy, to give you an understanding of their value

[Click here](#)



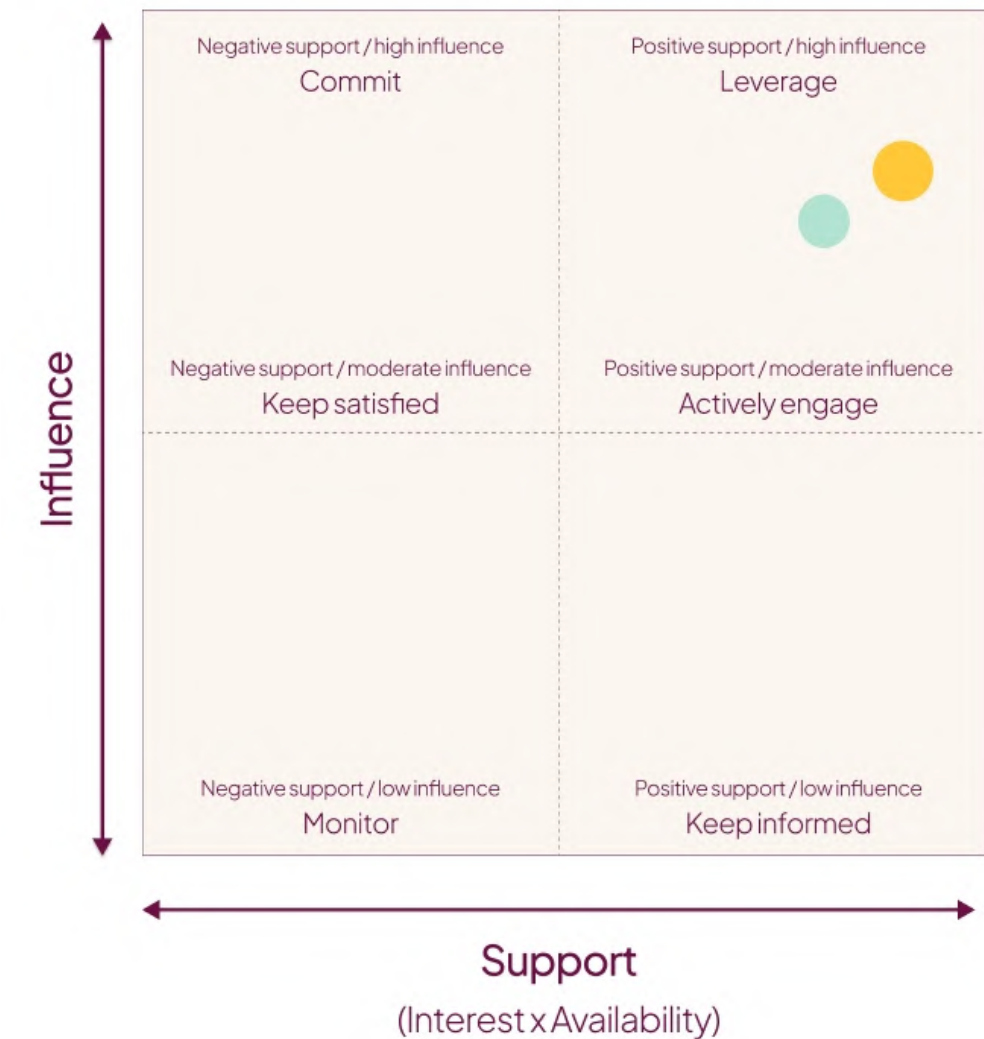
Good to know

- A **Stakeholder Analysis Matrix** (also known as a Mendelow or power-interest matrix) is a popular tool to better understand each stakeholder's interest and role
- It helps prioritise how you work with different stakeholders

[Click here](#)



Stakeholder Analysis Matrix



7. Define engagement methods

 **Good to know**

- The **AA1000 standard** developed by AccountAbility walks you through the stakeholder engagement process, and proposes various methods based on the stakeholders' level of involvement
- EFRAG refers to this as the go-to resource for methods of engagement

[Click here](#) 

LEVEL OF ENGAGEMENT	METHODS OF ENGAGEMENT
Remain Passive <i>No active communication</i>	<ul style="list-style-type: none">• Stakeholder concern expressed through protests• Letters• Media• Websites etc.
Monitor <i>One-way communication: stakeholder to organisation</i>	<ul style="list-style-type: none">• Media and internet tracking.• Second-hand reports from other stakeholders possibly via targeted interviews.
Advocate <i>One-way communication: organisation to stakeholder</i>	<ul style="list-style-type: none">• Pressure on regulatory bodies• Other advocacy efforts through social media• Lobbying efforts
Inform <i>One-way communication: organisation to stakeholder, there is no invitation to reply</i>	<ul style="list-style-type: none">• Bulletins and letters• Brochures• Reports and websites• Speeches, conference and public presentations
Transact <i>Limited two-way engagement: setting and monitoring performance according to terms of contract</i>	<ul style="list-style-type: none">• 'Public- Private partnerships'• Private Finance Initiatives• Grant-making• Cause-related marketing.
Consult <i>Limited two-way engagement: organisation asks questions, stakeholders answer</i>	<ul style="list-style-type: none">• Surveys• Focus groups• Meetings with selected stakeholder/s• Public meetings• Workshops
Negotiate <i>Limited two-way engagement: discuss a specific issue or range of issues with the objective of reaching consensus</i>	<ul style="list-style-type: none">• Collective bargaining with workers through their trade unions
Involve <i>Two-way or multi-way engagement: learning on all sides but stakeholders and organisation act independently</i>	<ul style="list-style-type: none">• Multi-stakeholder forums• Advisory panels• Consensus building processes• Participatory decision-making processes• Focus groups• Online engagement tools
Collaborate <i>Two-way or multi-way engagement: joint learning, decision making and actions</i>	<ul style="list-style-type: none">• Joint projects• Joint ventures• Partnerships• Multi-stakeholder initiatives• Online collaborative platforms

8. Run a materiality survey

This **sample** materiality assessment questionnaire developed by Survey Monkey is simple, but gets the jobs done

[Click here](#)

And here's a good **real-word example** of a survey by Evergreen

[Click here](#)



Materiality Assessment Template

Thinking about **business conduct, ethics, and compliance**, please rate how important the following are to our Corporate Social Responsibility program.

6. Establishing and operationalizing ethical business practices

- ☐ Extremely important
- ☐ Very important
- ☐ Somewhat important
- ☐ Not so important
- ☐ Not at all important

Governance		
Items	Topic	Description
1	Corporate Governance and Business Ethics	Rights and interests of shareholder, investor relationship, operation and independency of the Board of Directors, code of conduct, anti-fraud/laundering policy, etc.
2	Operational Performance	Evergreen's operational performance, investment gains and losses, financial information, operating costs and other information, as well as the indirect economic impact caused by the operation process.
3	Shipping Line Operation	The status and future outlook of ship design, route planning, alliance strategy, development of business policy, etc., and how to respond to changes from the external environment, etc.
4	Risk	Risk identificatiaon, analysis and management on different operation

9. Identify relevant sustainability issues

The list of in ESRS 1 Appendix B is a good summary of the topics addressed within the standards

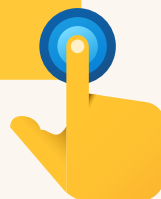
ESRS 1



Good to know

- Relying solely on above list does not replace the process of identifying material matters.
- To help identify industry-specific issues, you can use the SASB Materiality Finder.

SASB



Materiality Finder

Environment

GHG Emissions

Air Quality

Energy Management

GHG Em

Water & Wastewater Management

Social Capital

Human Rights & Community Relat

Customer Privacy

Data Secu

Access & Affordability

Produ

Human Capital

Labor Practices

Employee Er

Employee Health & Safety

Business Model and Innovation

Product Design & Lifecycle Manag

Business Model Resilience

Su

10. Consolidate your results

Nord ESG, one of the instructors in our course, provide guidance on how to **communicate the results** of a materiality assessment.

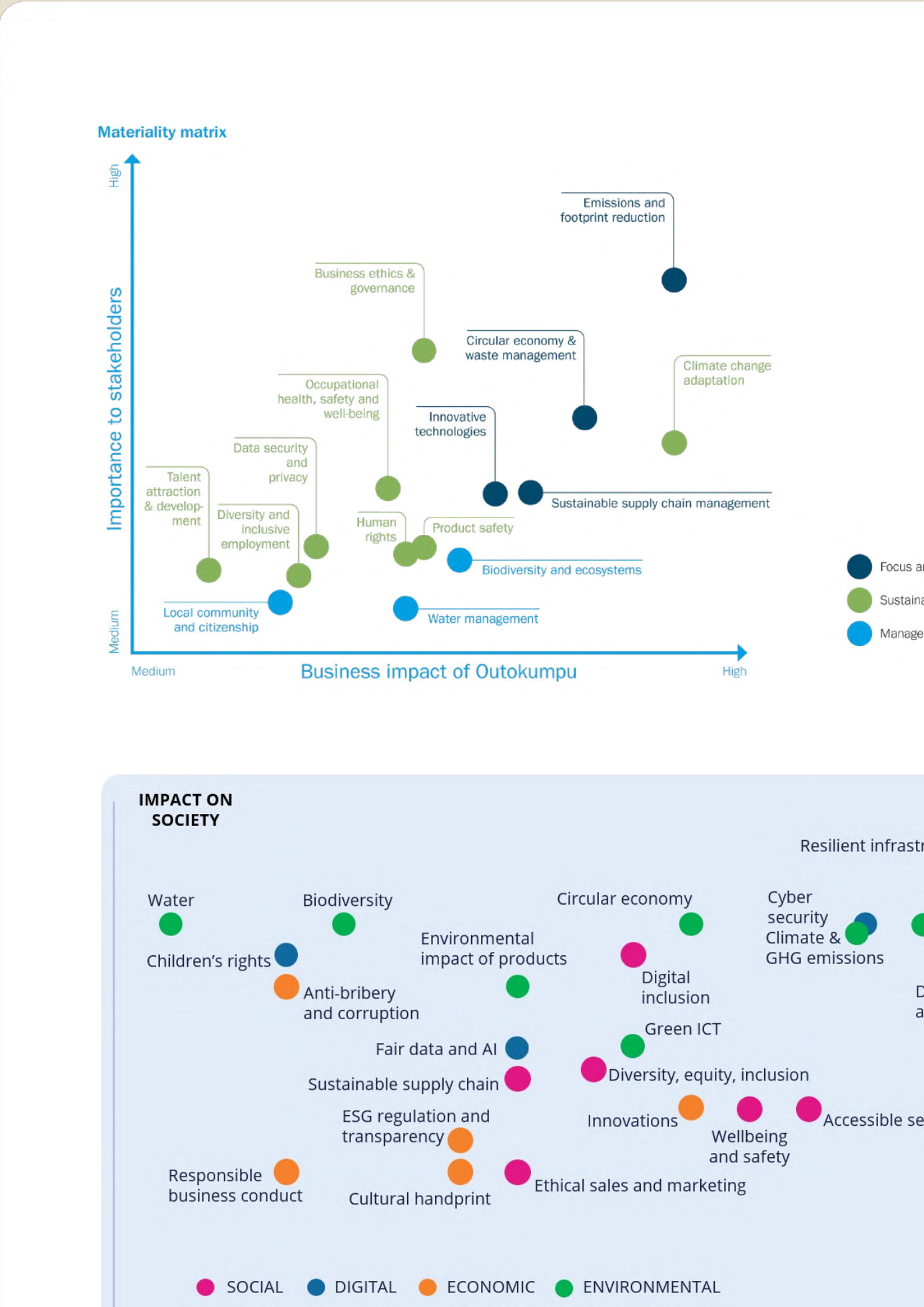
Nord ESG

And here are 3 **real-world examples** of a double materiality matrix

Flix

Telefonica

Sanofi



11. Find software and assurance providers

Software: There are many providers that offer sustainability reporting and data management solutions. Verandix, a research firm, provides high-level benchmark of the capabilities of 39 software solutions.

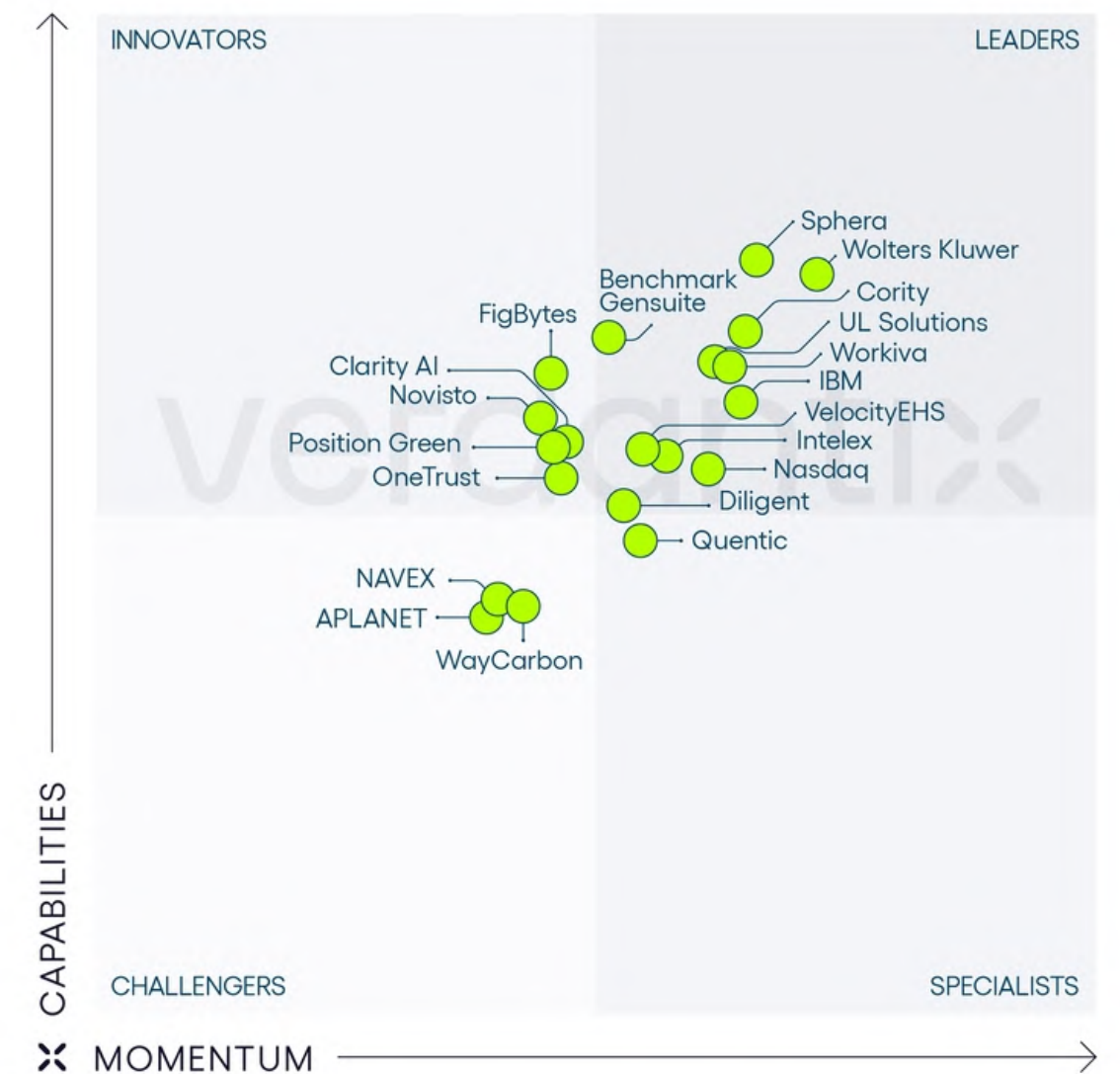
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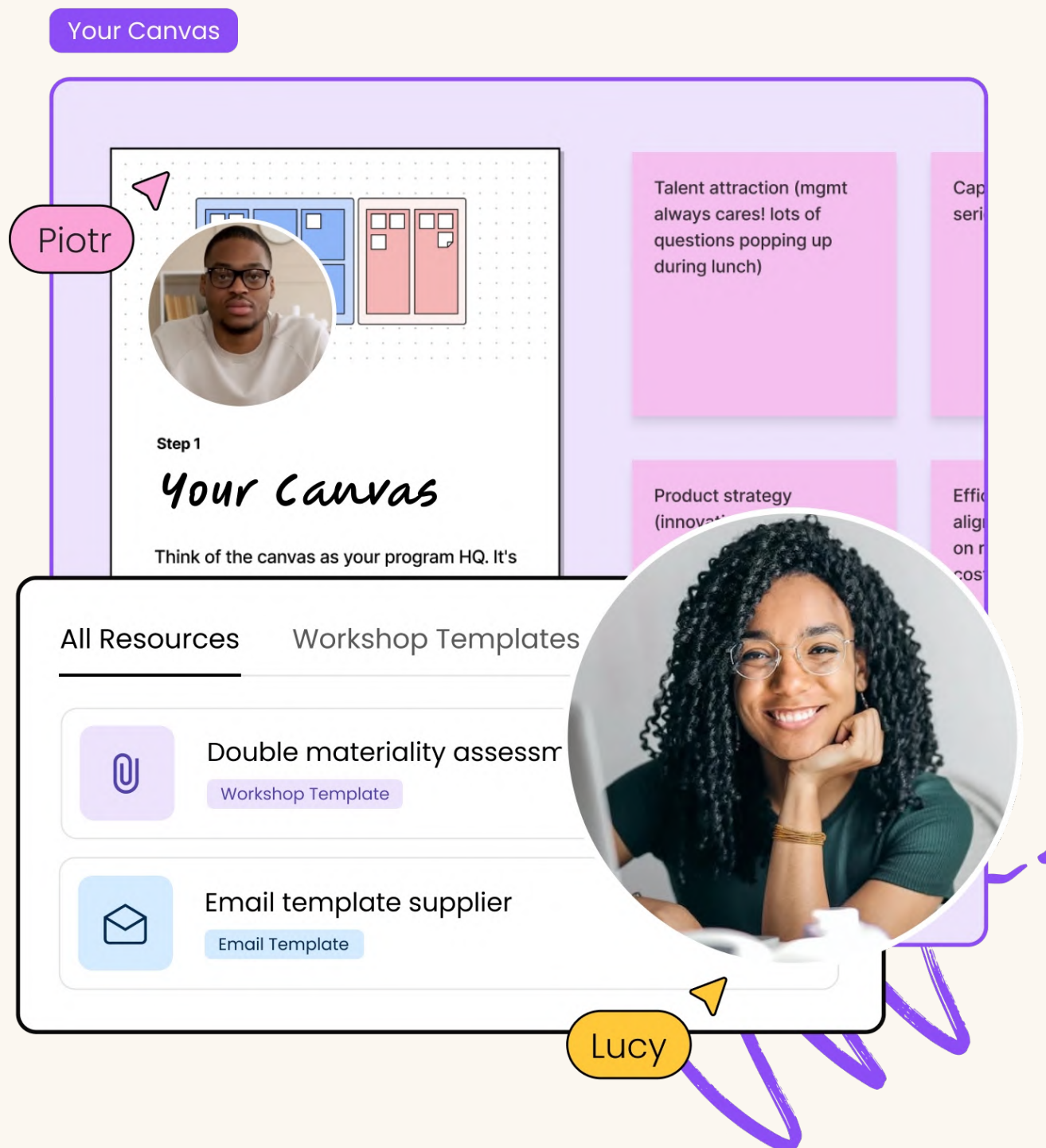
Assurance: Companies like Deloitte, PwC, EY, and KPMG offer assurance services to verify the accuracy and reliability of your sustainability statement.

verdantix

Green Quadrant:
ESG Reporting And Data Management Software



Source: Green Quadrant: ESG Reporting And Data Management Software
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12-week online course

Want to learn more about Double Materiality in the context of CSRD?

Join our upcoming course on "CSRD and sustainability reporting", starting January 23, 2024

[Learn more](#)