

ARENDT IS BY YOUR SIDE

Double materiality assessment

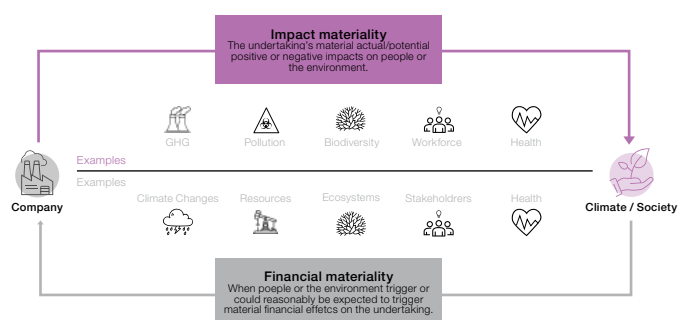
With the entry into force of the CSRD and its corresponding ESRS from 1 January 2024, the EU Commission has created common reporting standards that undertakings will be able to use to report on their sustainability-related aspects, guided by the double materiality principle.

From defining the sustainability landscape to identifying and assessing actual and potential impacts, risks and opportunities (IROs), the double materiality assessment (DMA) is a crucial preliminary step in every undertaking's CSRD journey. Arendt's experts are here to guide you through this complex process.

What is double materiality?

Double materiality is the consideration of both:

- How an undertaking impacts the environment and society at large, referred to as "impact materiality".
- How the same undertaking is itself affected by sustainability issues, referred to as "financial materiality".



How to assess impact?

Impact materiality is assessed by applying the severity criteria: scale, scope and irremediable character (for actual negative impacts). For potential impacts, estimates of likelihood are also necessary.

Type of impact	Impact	Severity assessment			
		Scale	Scope	Irremediability	Likelihood of occurrence
Positive impact	Impact W				
Potential positive impact	Impact X				
Negative impact	Impact Y				
Potential negative impact	Impact Z				

Low Medium High Not applicable to type of impact

How to assess financial risks and opportunities?

Risks and opportunities are assessed by evaluating the degree to which they can impact an undertaking's financial position, taking into account the potential magnitude of financial effects and their likelihood of occurrence.

Short-term the period adopted by the undertaking as the reporting period in its financial statements	Medium-term from the end of the short-term reporting period up to 5 years	Long-term more than 5 years
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	Likelihood of occurrence in scenario X		
	Improbable	Possible	Probable
Minor			
Moderate			
Major			

Financial effect

How to define what is material?

The regulation does not impose any criteria on how an undertaking should determine which matters are material, leaving it up to the individual company to define their quantitative and/or qualitative thresholds. This provides a considerable degree of flexibility, but since this is coupled with extensive disclosure requirements requiring transparency across the entire DMA process, it is also accompanied by a high level of scrutiny and reputational risk.

How can Arendt help you in your DMA?

1. Defining the sustainability landscape

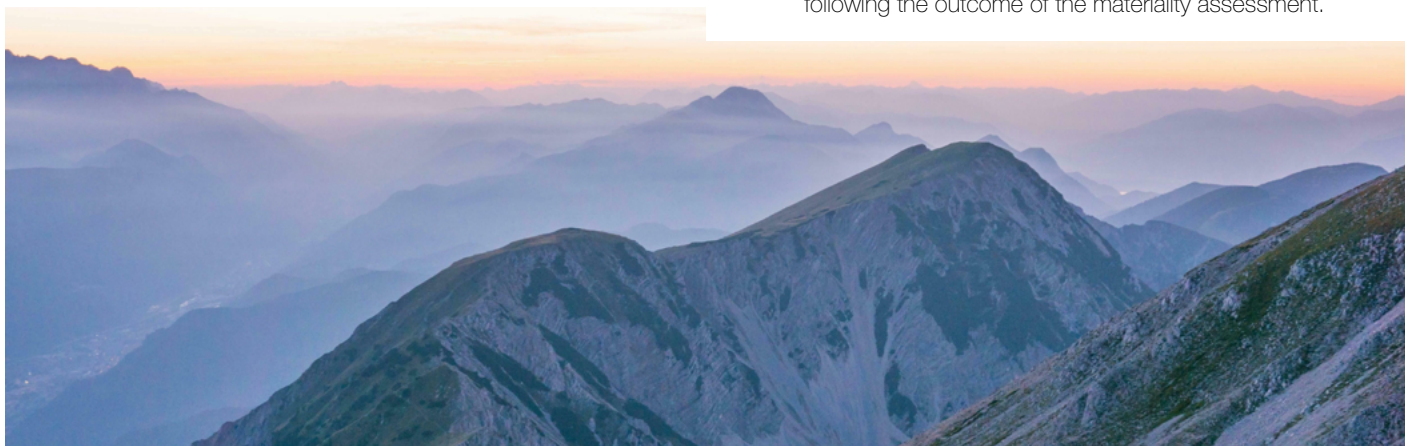
- Understanding the context:
 - Mapping operations and business relationships.
 - Mapping internal and external stakeholders.
 - Analysing the relevant legal and regulatory context, as well as published documentation.
- Setting thresholds:
 - We help you set the thresholds upon which matters will be considered material (or not), and accordingly need to be reported.

2. Assessing the materiality of the identified IROs

- Preparing the scoring methodology:
 - We help you set up scoring methodologies to calculate impact and financial materiality, based on which the identified actual and potential IROs will be scored.
- Setting thresholds:
 - We help you set the thresholds upon which matters will be considered material (or not), and accordingly need to be reported.
- Materiality matrix:
 - Based on the results computed from the application of the scoring methodology (incl. internal and external stakeholder engagement) and based on the established thresholds, the materiality matrix can finally be prepared.

3. Documentation and final output:

- Drafting the Disclosure Requirements ESRS 2 SBM-3 and IRO-1:
 - We can help you comply with the disclosure requirements on double materiality as required by ESRS 2 SBM-3 and IRO-1.
- Mapping the ESRS disclosure requirements:
 - We can help you prepare a list of the disclosure requirements complied with when preparing the sustainability statement, following the outcome of the materiality assessment.



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Contact us

If you would like more information, please contact us at esg.arc@arendt.com



Read more about our expertise