



Double materiality in sustainability reporting

FIBS' Sustainability Reporting Day

Elisa Pirisi, Report Services Manager at GRI

Alexandra Plachkova, Senior Content
Developer at GRI

September 18th, 2024

Content

Time: 18 min

Agenda

- 1 GRI: a bridge between impact regulations 5 min
- 2 The benefits of a visionary approach 3 min
- 3 Double materiality in the ESRS 8 min
- 4 Additional resources 2 min

Today's topic in a nutshell



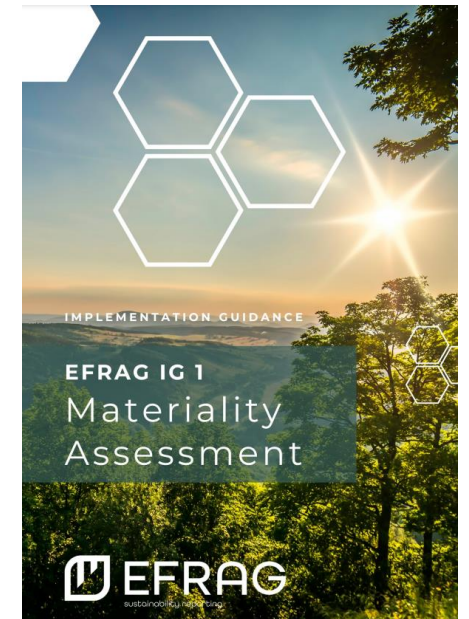
Introduction

Applying the European Sustainability Reporting Standards



GRI supports you in the reporting journey

1. Understand the ESRS
2. Perform a double materiality assessment
3. Undertake a gap analysis of data points
4. Collect the necessary data
5. Draft the ESRS sustainability statement
6. Seek (at least limited) external assurance
7. Tag the ESRS sustainability statement using XBRL

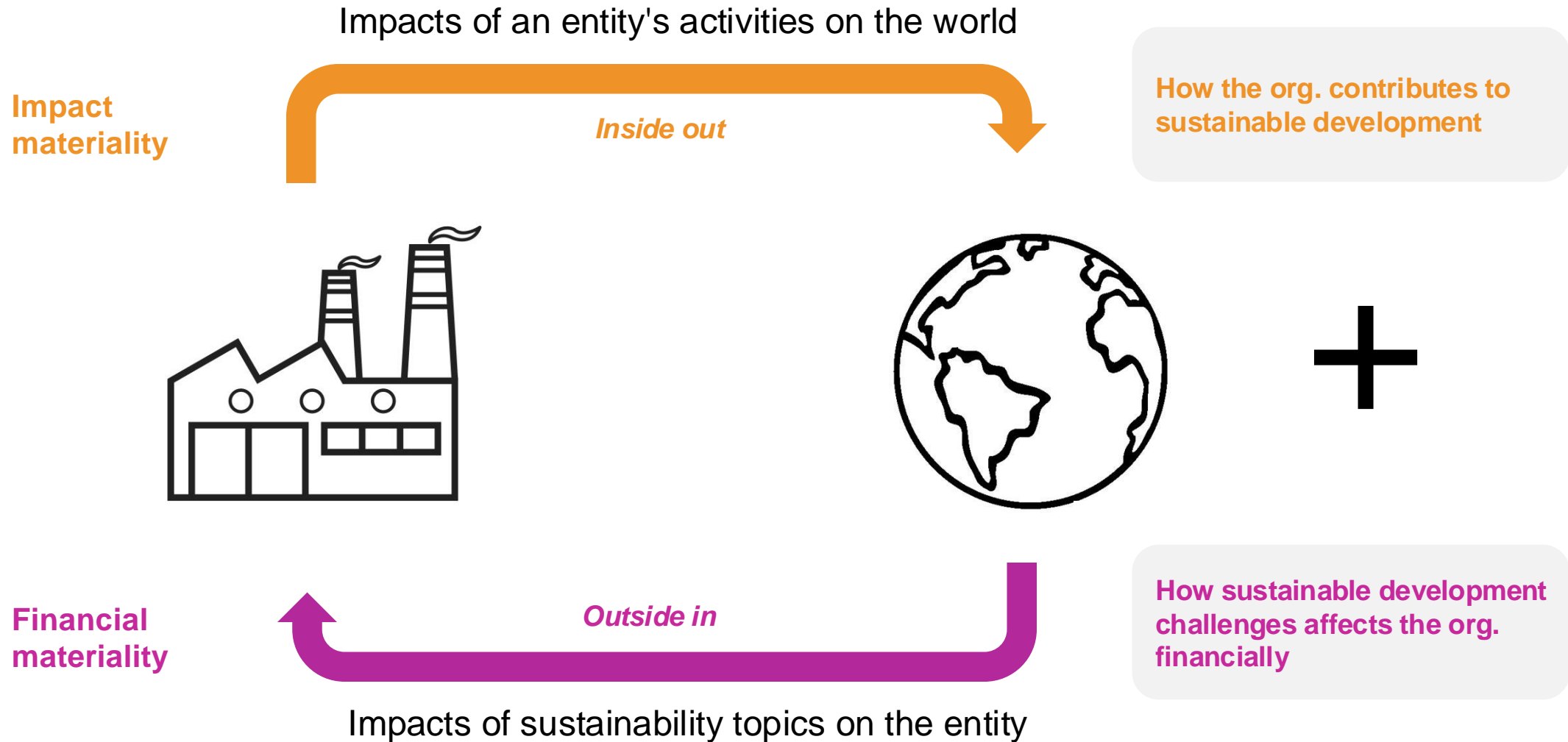


“an assessment performed under GRI Universal Standards constitutes a good basis for the assessment of impacts under the ESRS. The financial materiality dimension is to be added when moving from the GRI Universal Standards reporting framework to that of the ESRS”, [EFRAG IG 1](#)

Setting today's topic: the double materiality trend



Materiality perspectives





1. GRI: a bridge between different impact regulations

Who we are

- GRI is an **independent, international** organization providing the **global common language** for corporate transparency.
- We help businesses and other organizations understand and communicate their **sustainability impacts**.
- We provide the **GRI Standards**, the world's most widely adopted sustainability reporting framework – which is **freely available** as a **public good**.
- GRI is a **not-for-profit** organization, and our activities are funded by services we deliver and by governmental and other funders that support our work.



Our impact in numbers

78%

of the world's **largest 250 companies** reporting on sustainability use GRI

14,000+

Companies publish a **GRI report** each year

500+

organizations from **85 countries** are members of the **GRI Community**

102

countries have **policies** that reference or require the **GRI Standards**

1,500+

GRI Certified Sustainability Professionals

450+

reports improved and passed the **GRI Report Services assessment** every year

846,000

unique **downloads of the GRI Standards** in 2023

70+

GRI Licensed Software & Tools partner companies

Timeline of GRI's history



2023: Strengthening collaboration with EFRAG



GRI Standards paving the way for EU impact reporting

EFRAG and GRI enhance collaboration with deeper ties

Published date: 30 November 2023



New cooperation agreement reached, as GRI-ESRS Interoperability Index is made publicly available

- Collaboration on standards and guidance including sector standards, SMEs, and non-EU companies
- Education, training and support services for ESRS preparers and users
- Interoperability of digital XBRL taxonomies

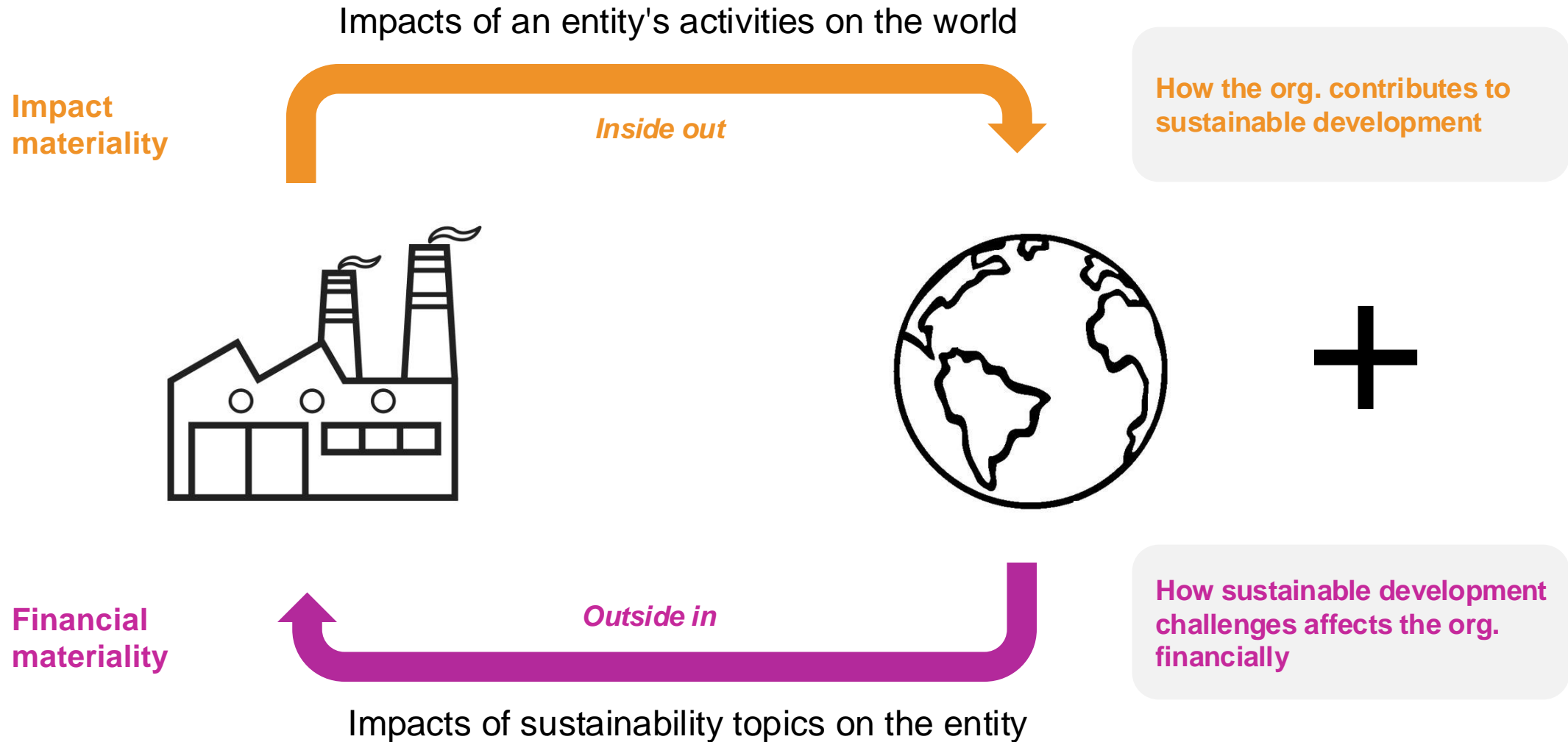


2. Double materiality in practice: the benefits of a visionary approach

The double materiality trend



Materiality perspectives



Double materiality



Examples

		Impact reporting	Sustainability-related financial reporting
	Emissions	How an org's air emissions generation affects pollution levels	How emissions taxes (e.g. carbon taxes) affect org's financials
	Water	How an org's water usage affects local water resources	How water scarcity can impact an org's operations
	Communities	How an org's activities could contribute to unrest in a community	How unrest in the community could compromise business activities or affect license to operate
	Employees	How an organization impacts its employee' health and safety	How employee health and safety incidents could affect organizational productivity

Nb: These examples are not exhaustive of what an organization could report on each of these topics

Double materiality: why assume the two-perspective approach?

Double materiality reporting has various benefits:



Stakeholders

Caters to a range of stakeholders interested in either or both perspectives



Risk management

Informs sustainability-related financial reporting to fully understand risks



Credibility

Demonstrates focus on internal performance along with responsibilities to society and the environment



Quality of disclosure

Enhances quality, comparability, and completeness of disclosure, fosters transparency and accountability



Sustainable development:

Reveals how an organization contributes positively to sustainable development, as well as how to sustain the organization



3. Double materiality in the ESRS

Double materiality in the ESRS

Important definitions

Double materiality

“

Double materiality has two dimensions: impact materiality and financial materiality. A sustainability matter meets the criterion of double materiality if it is material from the impact perspective or the financial perspective or both. ”

”

Impact materiality – when a matter pertains to the org’s actual or potential, positive or negative impacts on people and the environment over the short, medium or long term connected with the org. own operations and its value chain, as well as through its business relationships

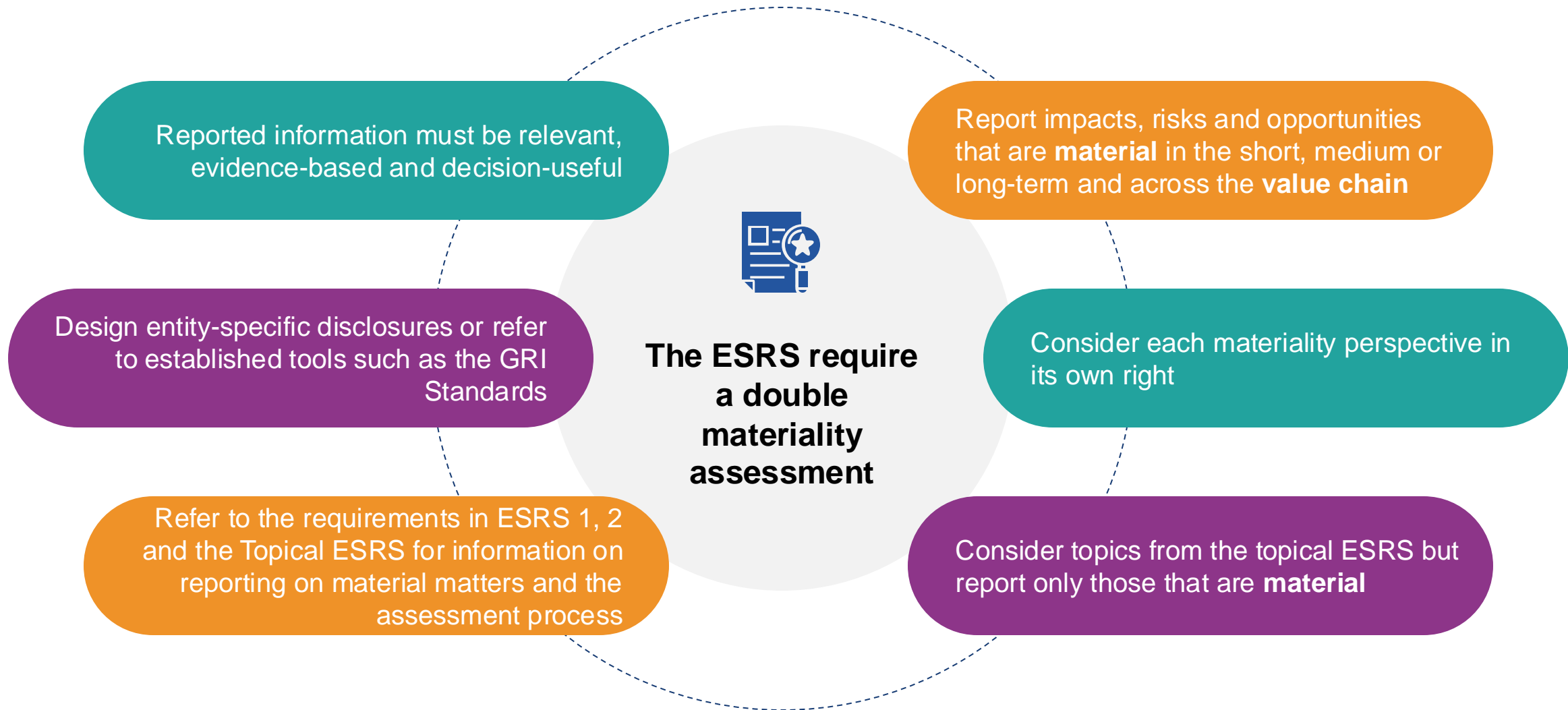
Financial materiality – if a matter generates risks or opportunities that affect or could affect the org’s financial position, performance, and cashflows over the short, medium, or long term



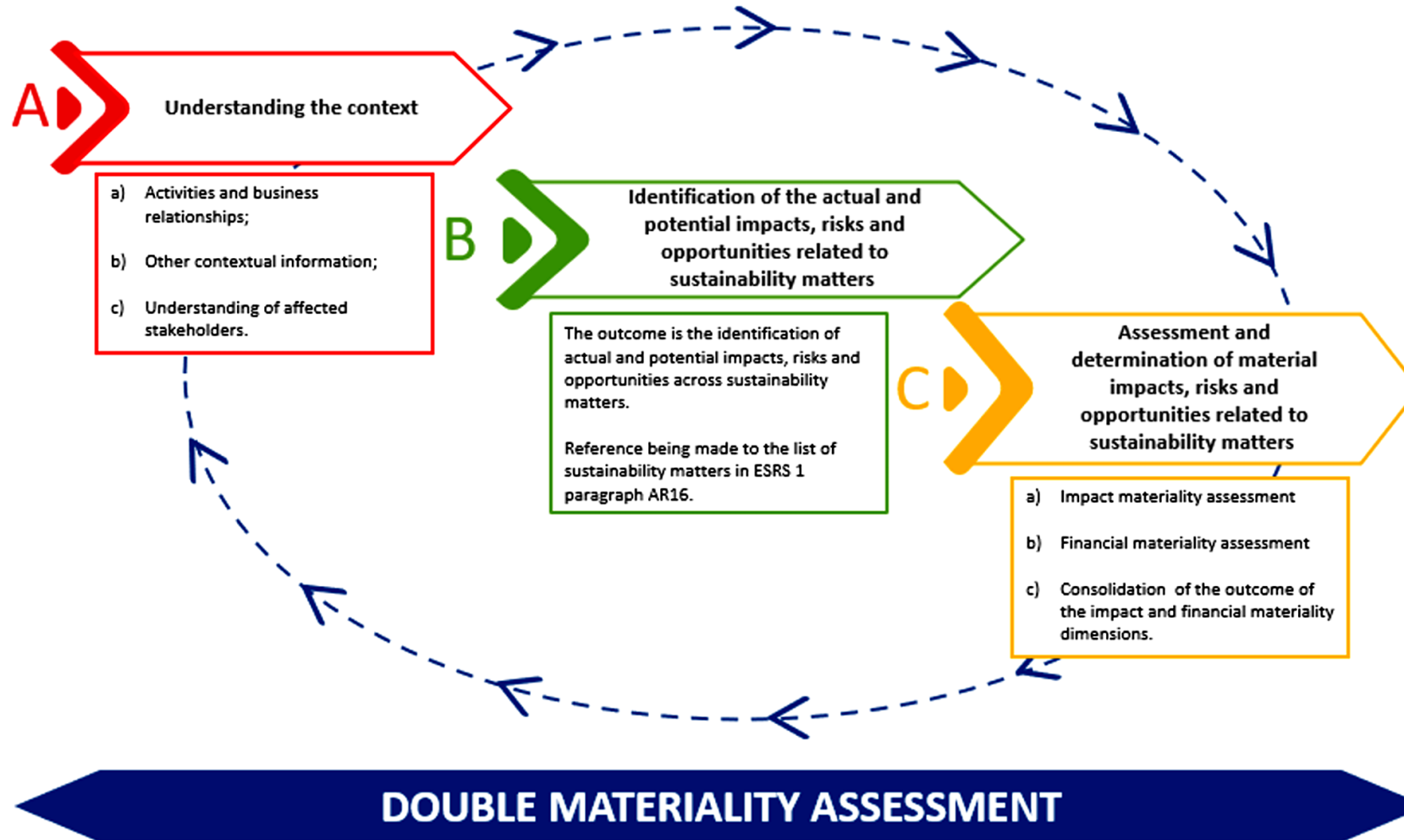
Materiality assessment is the starting point for reporting with the ESRS

A matter need not be material to both perspectives to be prioritized for reporting

Double materiality in the ESRS



Steps of the double materiality assessment



This process is an example and not a requirement when reporting with the ESRS

Double materiality in the ESRS

Step C a): Impact materiality



There is a **high degree of alignment** between the ESRS and the GRI Standards regarding **impact materiality assessment**

- Alignment in how important concepts are defined
- Importance of considering involvement with impacts
- Role of due diligence and stakeholder engagement
- Same criteria for impact assessment (severity and likelihood)
- Setting of thresholds to determine materiality
- Disclosures for reporting the materiality assessment process



The ESRS also require reporting on financially material information

Double materiality in the ESRS

Step C b): Financial materiality

Financial materiality assessment must be:



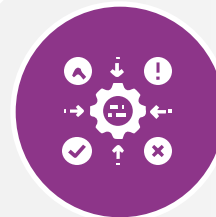
Based on a **combination of the likelihood of the occurrence and the potential magnitude** of financial effects



Determined on the basis of **thresholds** (qualitative or quantitative; based on anticipated financial effects)



Include consideration of **scenarios or forecasts and how dependence on resources** can be a source of financial risk



Include an assessment of the extent to which **material impacts may become sources of potential risks and opportunities**

Double materiality in the ESRS

Stakeholder input



The ESRS do not mandate stakeholder engagement as part of the materiality assessment



However, dialogue with affected stakeholders informs the materiality assessment process



The ESRS are aligned with the GRI Standards on this point



Steps of the double materiality assessment



How do the ESRS and the GRI Standards compare?

ESRS	GRI Standards	Comparison
<i>Step A: Understand the context</i>	Step 1: Understand the organization's context	Include considerations of activities, business relationships, and affected stakeholders
<i>Step B: Identification of the actual and potential impacts, risks, and opportunities related to sustainability matters</i>	Step 2: Identify actual and potential impacts	<p>Emphasize the role of stakeholder engagement to identify impacts and due diligence to assess involvement with impacts</p> <p><i>ESRS require identification of R&Os and whether these derive from impacts + consideration of dependency on resources</i></p>
<i>Step C: Assessment and determination of material impacts, risks and opportunities related to sustainability matters</i>	<p>Step 3: Assess the significance of impacts and</p> <p>Step 4: Prioritize impacts for reporting</p>	<ul style="list-style-type: none"> • Use the same criteria to assess impacts • Highlight engagement with stakeholders to validate DMA outcome • Require the setting of thresholds to assess materiality <p><i>The ESRS also incorporate financial materiality assessment</i></p>



Question

Which of the following do you think is most challenging in the double materiality assessment process?

- a) Identifying relevant stakeholders to engage
- b) Collecting data for the impact assessment
- c) Consolidating results of the impact and financial assessments
- d) Ensuring consistency across different reporting frameworks
- e) Setting up the necessary internal procedures and controls





4. Additional resources

GRI support for sustainability reporters and CSRD: where to start?



Enjoy multiple free resources

- Download the GRI Standards, tools and guidance
- Meet our ecosystem of GRI partners (professionals and software providers)

Join the GRI Community

To be up-to-date on the latest developments about the GRI Standards and the ESRS, engage with peers, and get access to exclusive discounts on the GRI support.



Apply for a Report Service

Get practical guidance to align your own reporting exercise with the GRI Standards, the SDGs, and the ESRS, on the draft version of your GRI content index

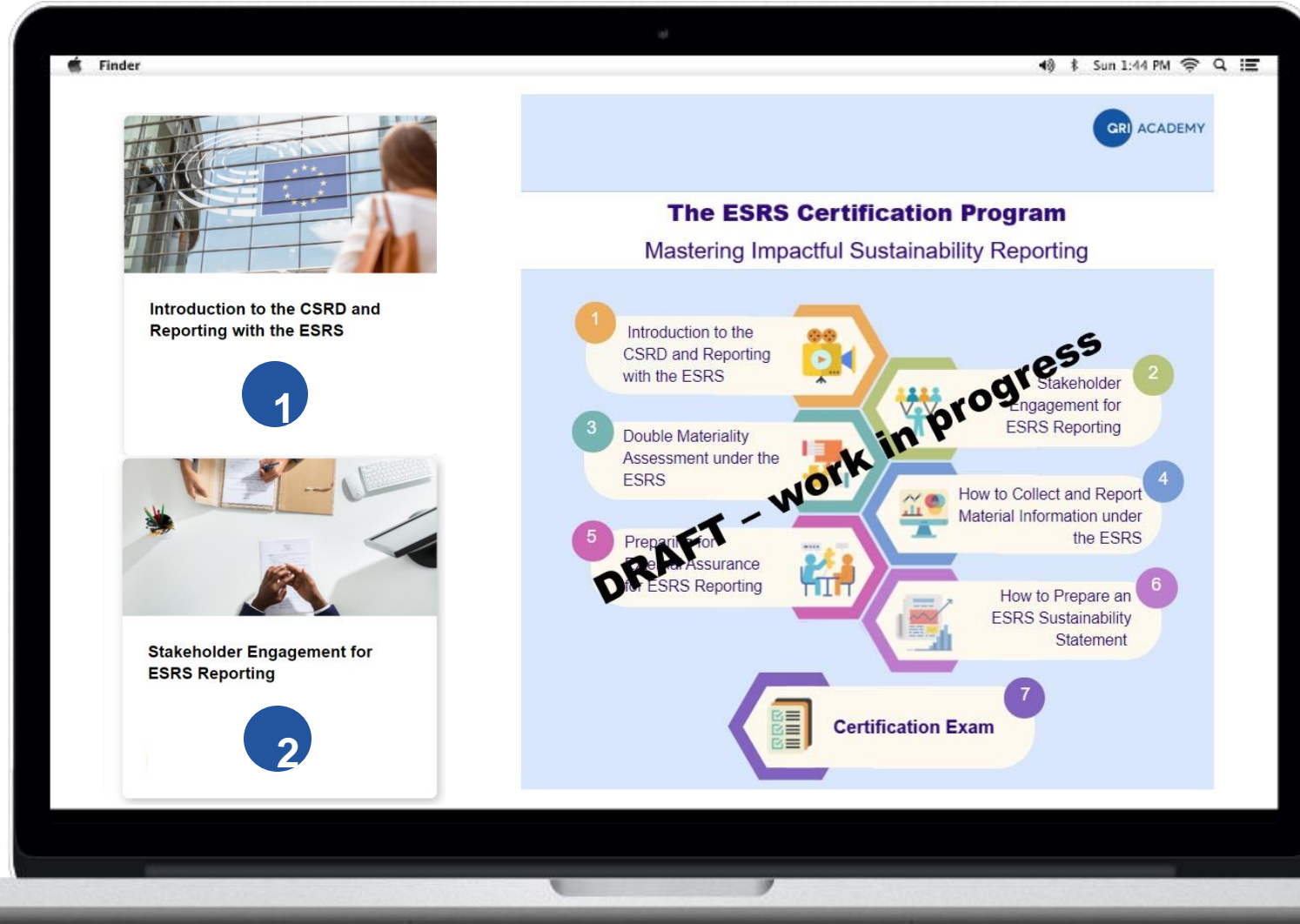
Learn with the GRI Academy

Unlocking the ESRS for GRI reporters
NEW! Introduction to the CSRD and Reporting with ESRS
NEW! Stakeholder Engagement for ESRS Reporting

The GRI Academy



The ESRS certification program



Use code:

FIBS_25_ESRS_KmLwzfLt

Enjoy 25% off on the first two courses of our ESRS Certification program – valid until the end of October

...valid also for the third course to come soon, on Double Materiality

THANK YOU

pirisi@globalreporting.org

reportservices@globalreporting.org



www.globalreporting.org

© GRI 2024. All rights reserved



[global-reporting-initiative-gri](https://www.linkedin.com/company/global-reporting-initiative-gri)



[@GlobalReportingInitiative](https://www.facebook.com/GlobalReportingInitiative)



[@GRI_Secretariat](https://twitter.com/GRI_Secretariat)