

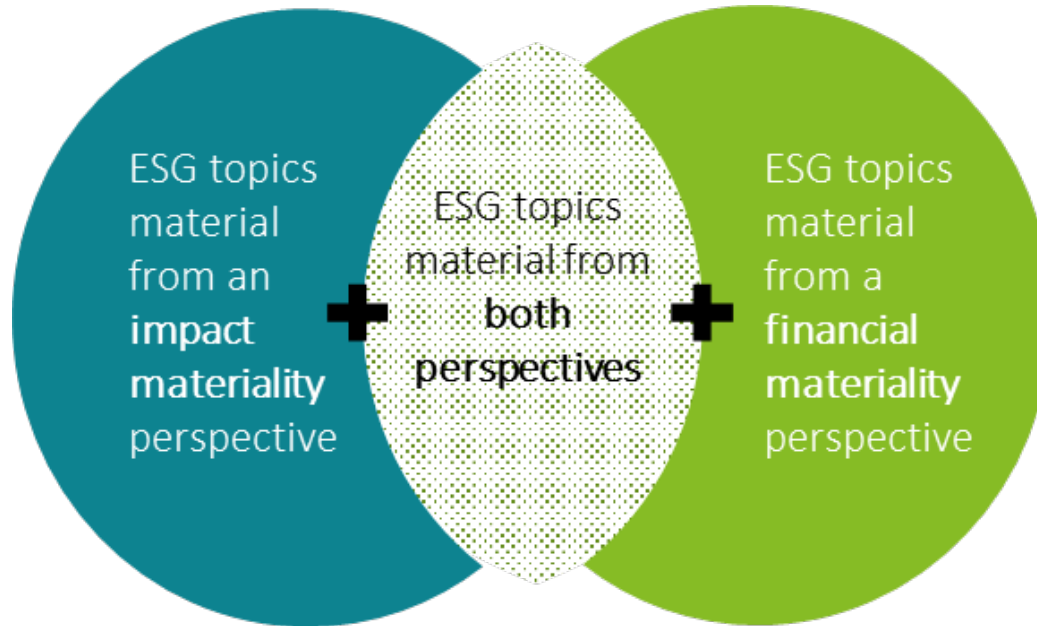


## New regulation and expectations for sustainability and accountability

Helena Broadbridge (Barton), Partner – Sustainability  
Copenhagen, 15 November 2023

## ESRS 2 – Understanding the Double Materiality Assessment (DMA)

A sustainability matter can be material from either a social and environmental impact perspective or a financial perspective or both



### Impact materiality (inside-out)

A topic or information is material from an impact perspective if the organisation is connected to **actual or potential significant impacts on people or the environment** over the short, medium or long term.

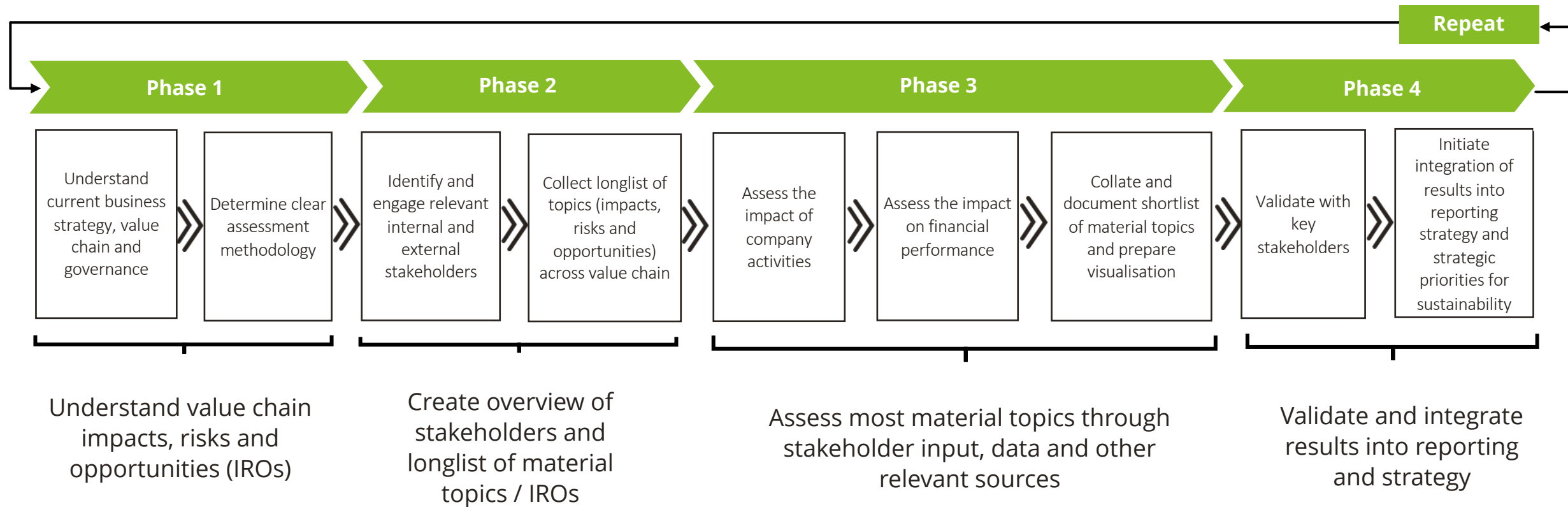
### Financial materiality (outside-in)

A topic is material from a financial perspective **if it potentially triggers financial effects on the organisation**, i.e., generates risks or opportunities that influence or potentially influence the future cash flows and therefore the enterprise value of the organisation in the short, medium or long term.

A DMA is important:

- Meets the legal requirement
- Determines material sustainability reporting topics
- Guides the company on its priority actions

# We recommend the following phases in a Double Materiality Assessment (DMA)



# Who are our stakeholders?



What do they expect of us?

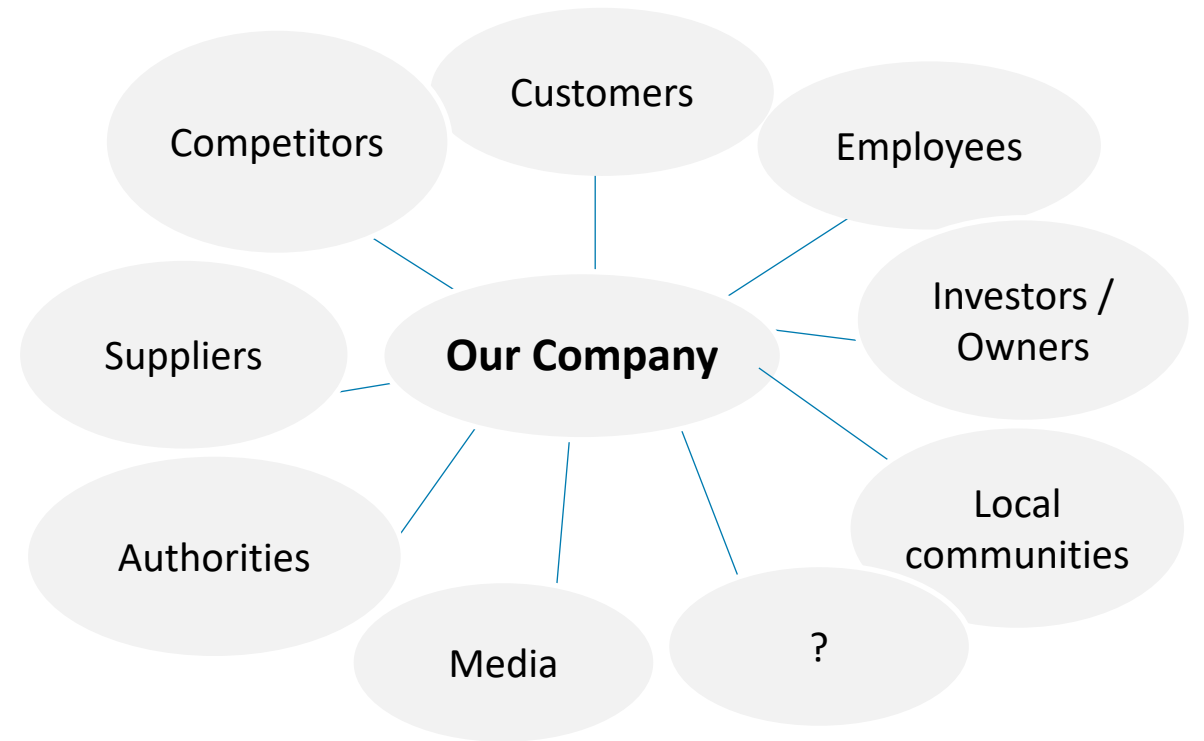


How do we know?

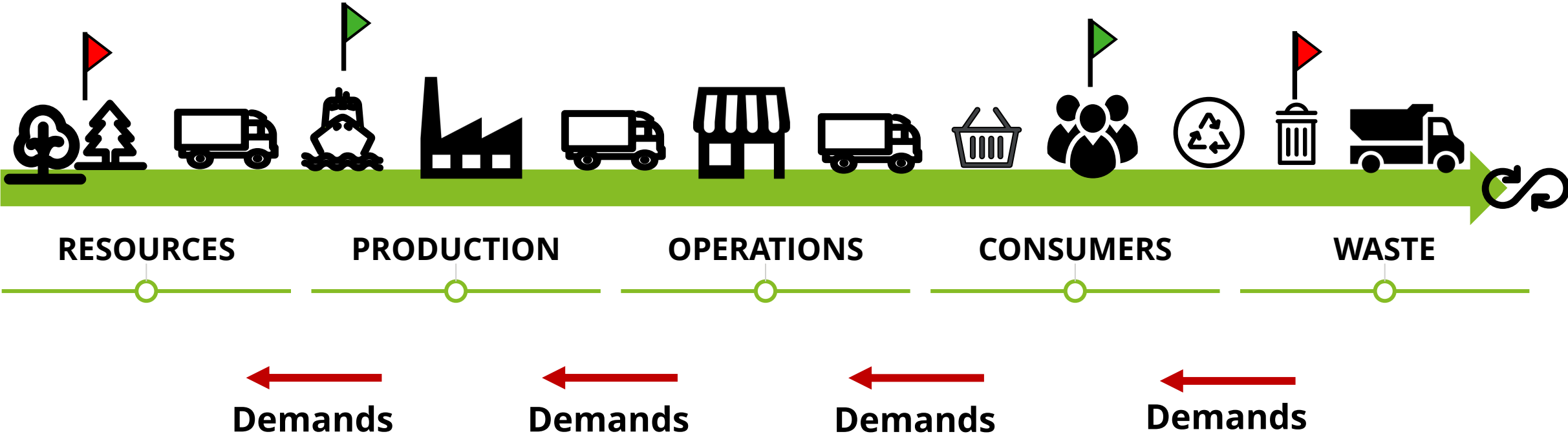


Which stakeholders are most important?

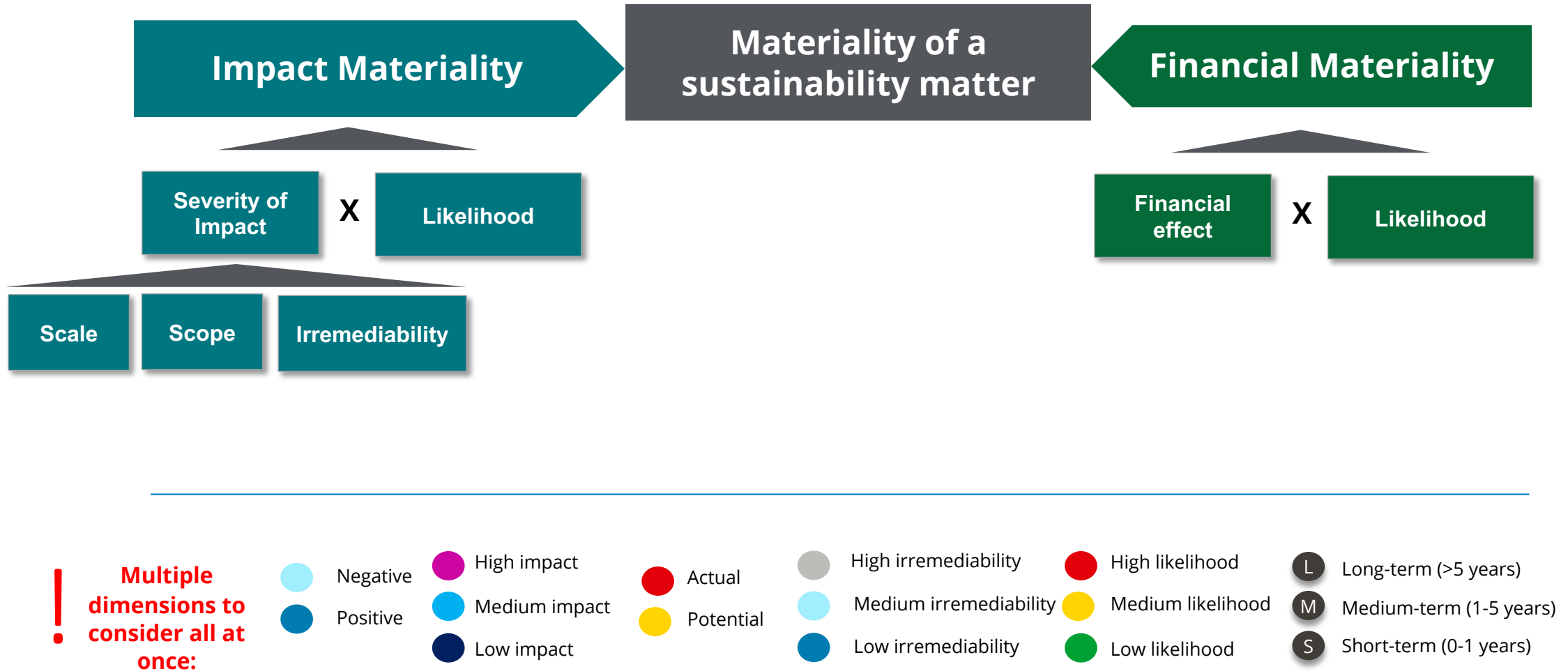
How can we engage them?



# Where are the greatest risks and opportunities along our value chain?



# We recommend defining a clear method for how to assess double materiality



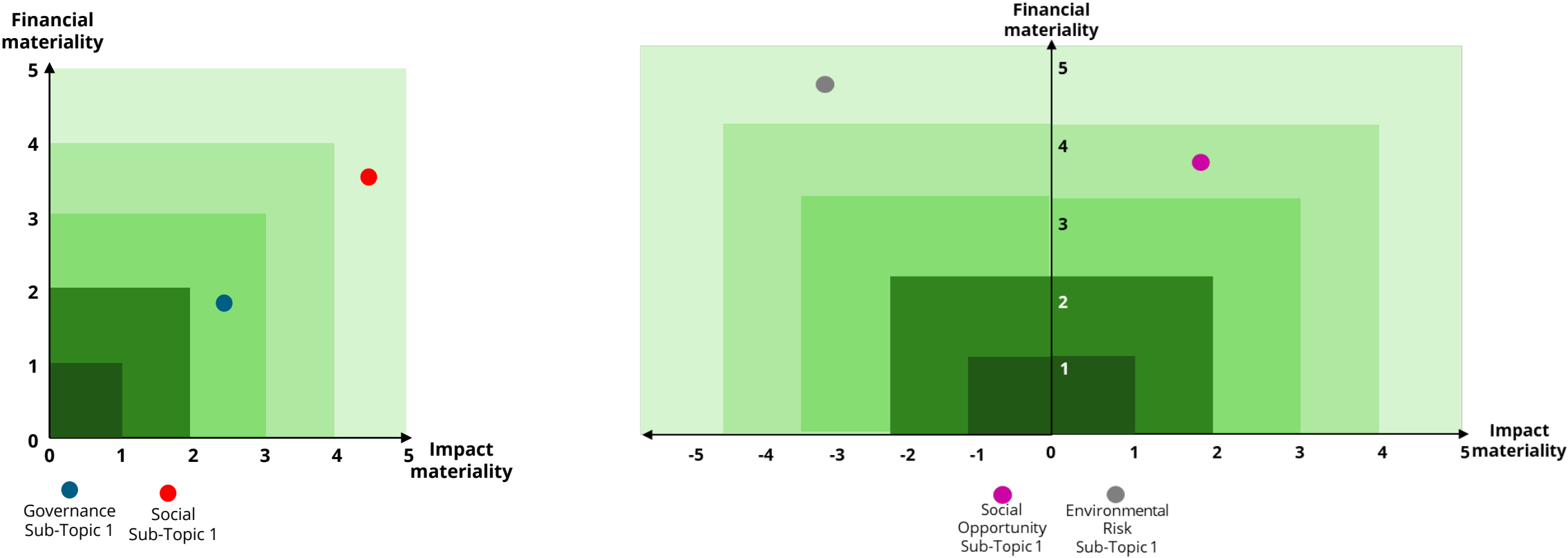
# How can we visualize the Double Materiality Assessment results?

An illustrative example

<https://www2.deloitte.com/us/en/insights/environmental-social-governance/unlock-the-full-strategic-potential-of-materiality-assessments.html>

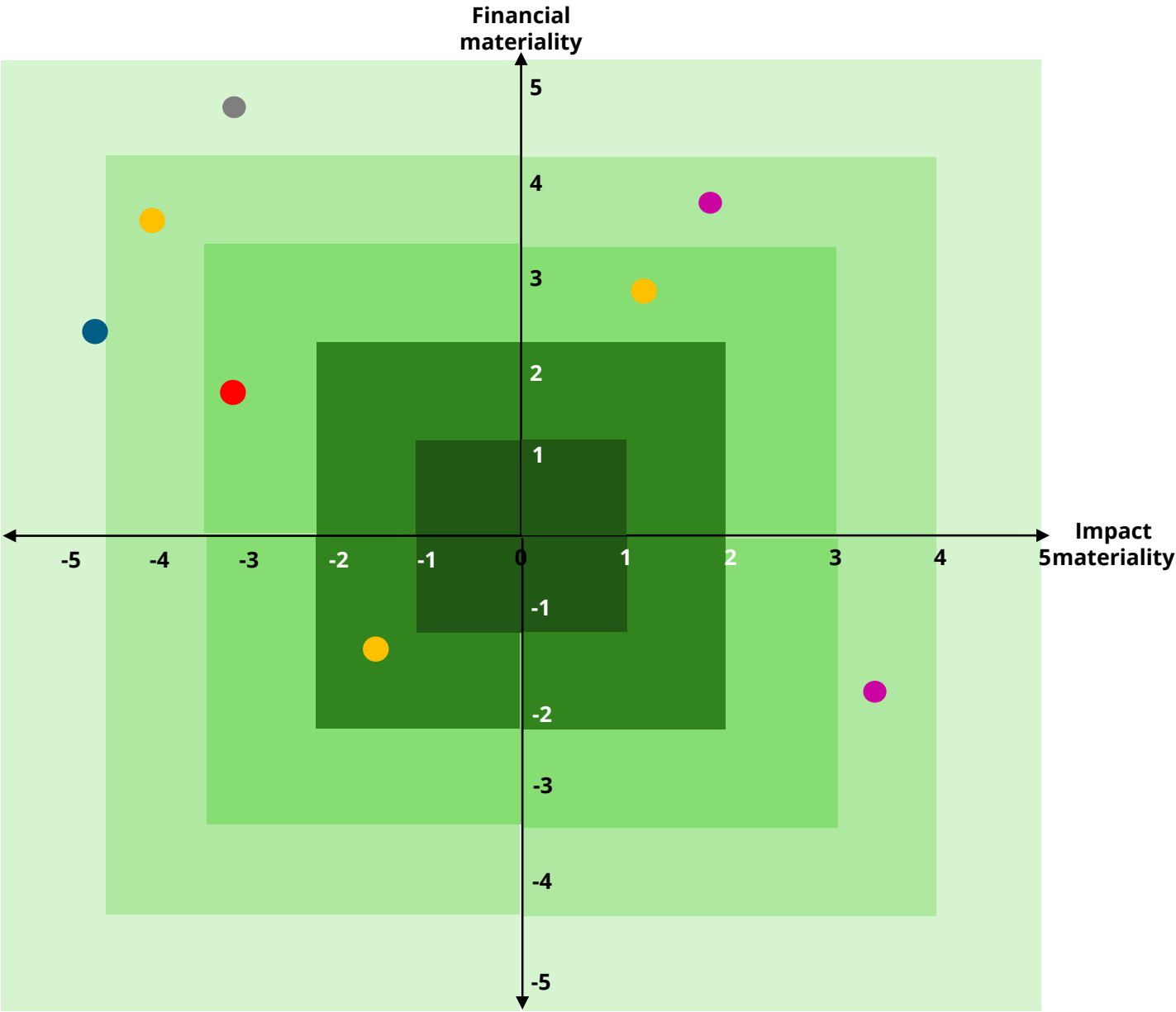
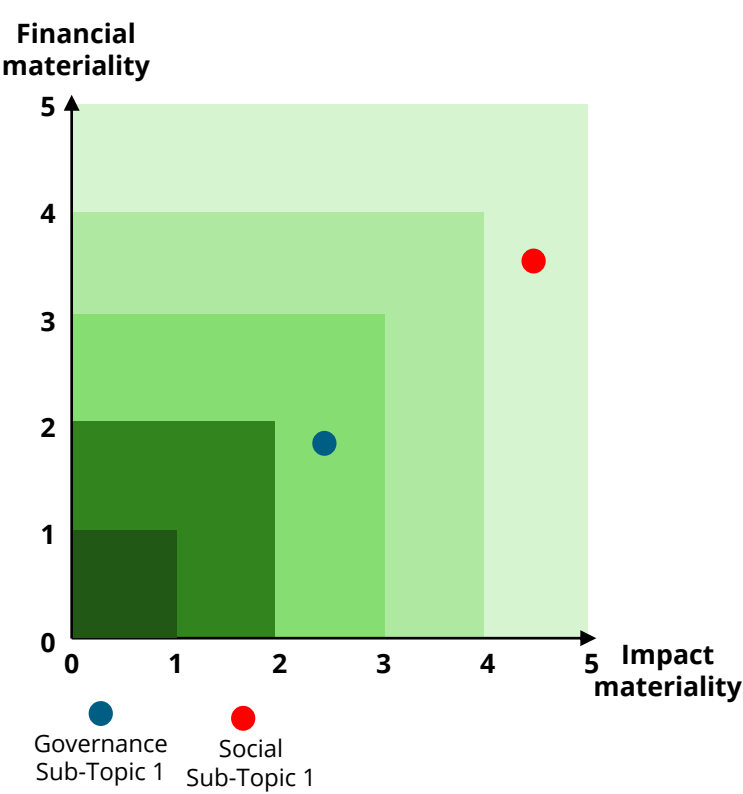
Financial materiality (outside-in)	Very high	<ul style="list-style-type: none"><li>• Sustainable innovation and new business models</li><li>• Physical impacts of climate change and biodiversity loss</li></ul>	<ul style="list-style-type: none"><li>• Work practices along the whole value chain</li><li>• Circular economy and zero waste</li><li>• Role of local communities</li></ul>	<ul style="list-style-type: none"><li>• Renewable energies and emissions (Scope 1, 2 and 3) management</li><li>• Health and safety at work (including third parties)</li></ul>
	High	<ul style="list-style-type: none"><li>• Data security and privacy</li><li>• Business ethics and governance</li><li>• Nature protection and biodiversity</li><li>• Managing systemic risks</li></ul>	<ul style="list-style-type: none"><li>• End-to-end supply chain management</li><li>• Responsible finance and investment</li><li>• Employee training and development</li><li>• Resource efficiency</li></ul>	<ul style="list-style-type: none"><li>• Climate change adaptation</li><li>• Sustainable business practices</li><li>• Diversity, equity, and inclusion</li></ul>
	Medium	<ul style="list-style-type: none"><li>• Responsible digitization</li><li>• Stakeholder engagement</li><li>• Philanthropic commitments</li><li>• Product safety</li></ul>	<ul style="list-style-type: none"><li>• Water consumption in production</li><li>• Conflict (raw) materials</li></ul>	<ul style="list-style-type: none"><li>• Transparent communication and information on products</li><li>• Management of hazardous materials</li></ul>
		Medium	High	Very high
		Impact materiality (inside-out)		

# How can all the dimensions be visualised in a useful way?

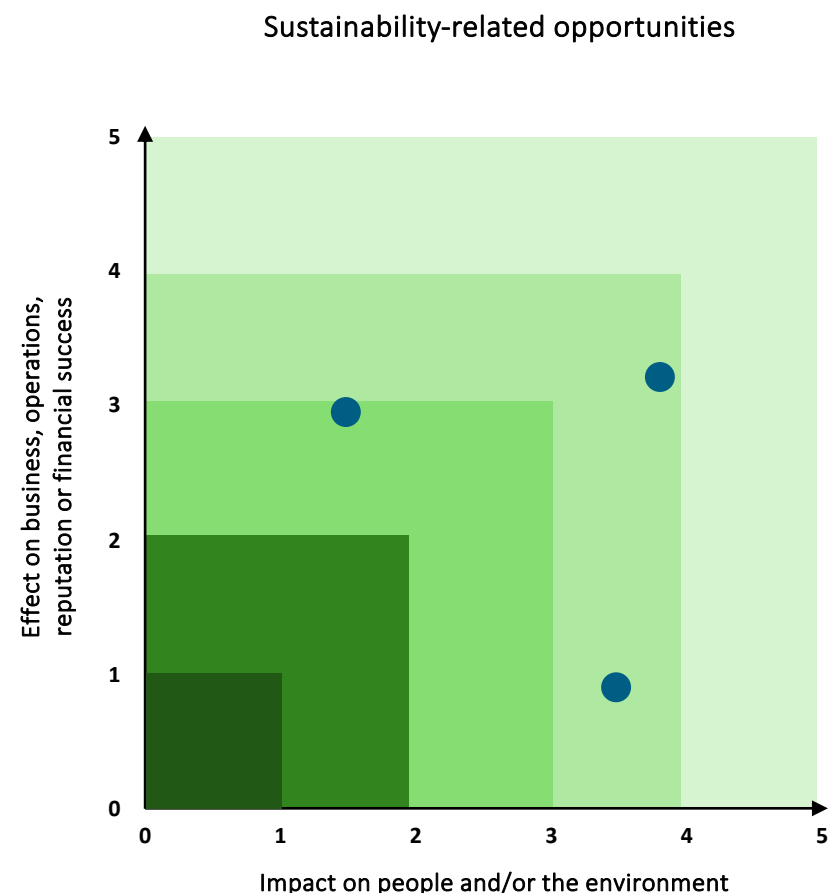
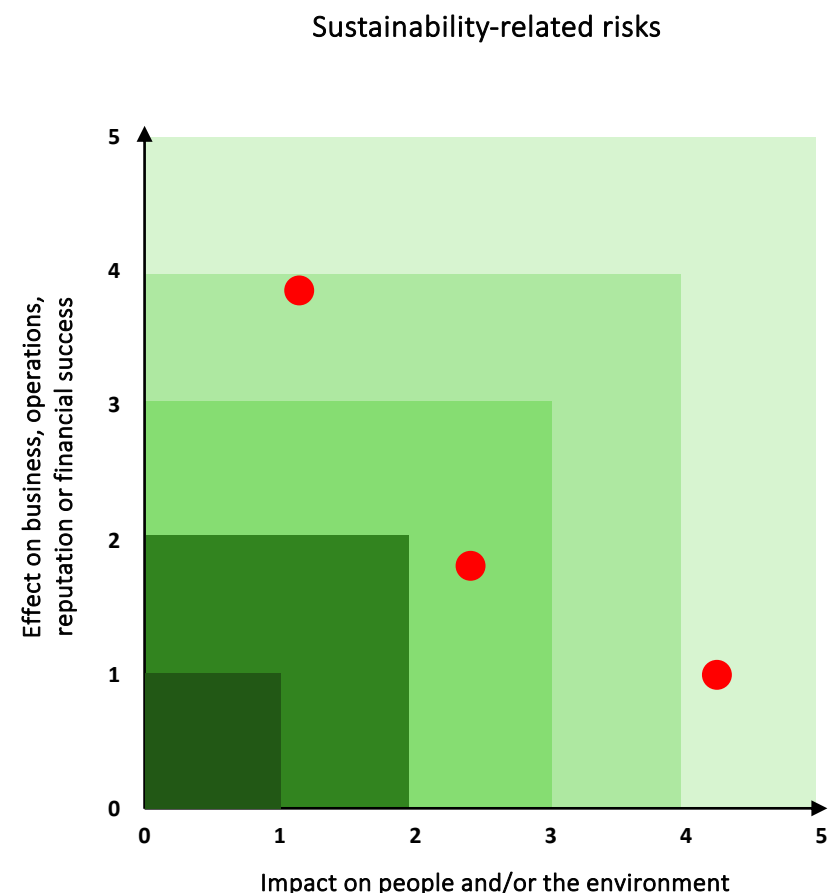




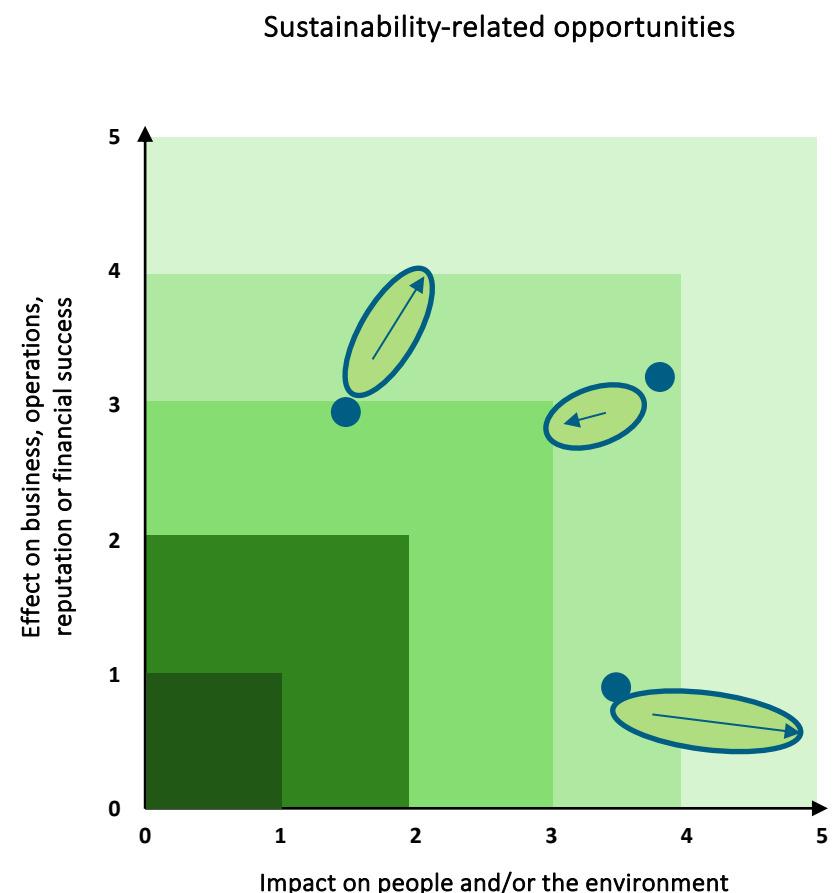
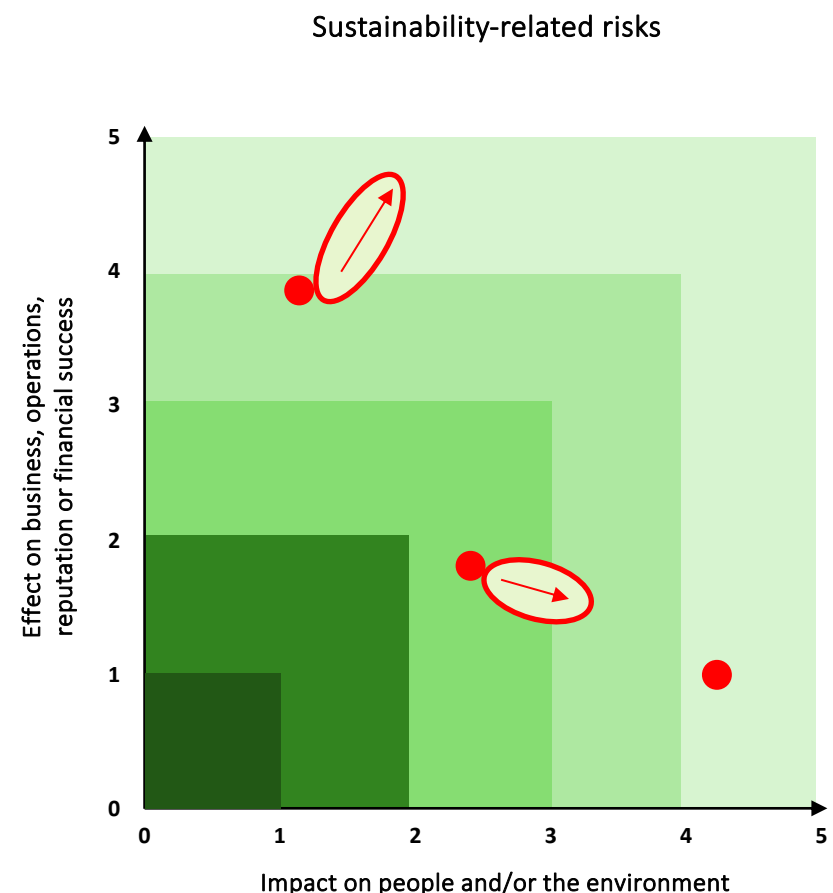
# How can all the dimensions be visualised in a useful way?



# How can all the dimensions be visualised in a useful way?



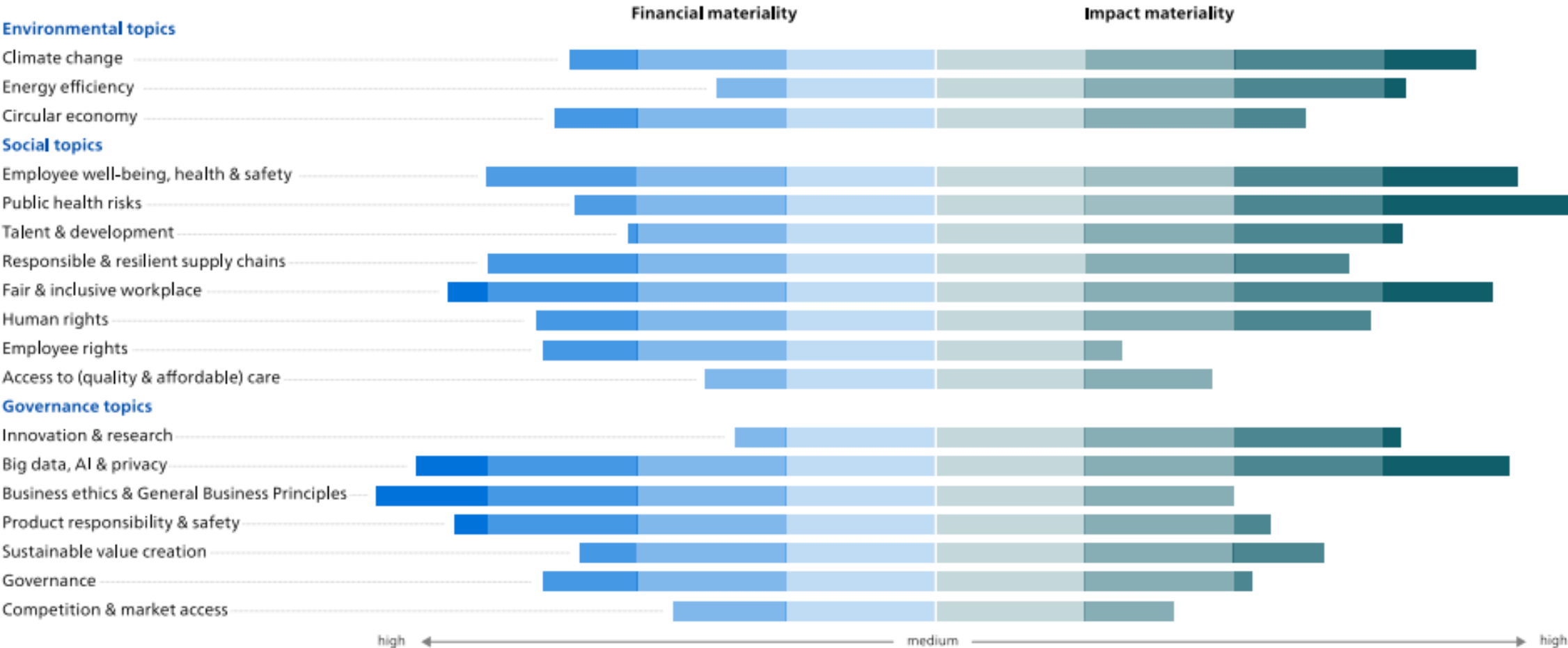
# How can all the dimensions be visualised in a useful way?



# Other examples of visualizing output



# Other examples of visualizing output



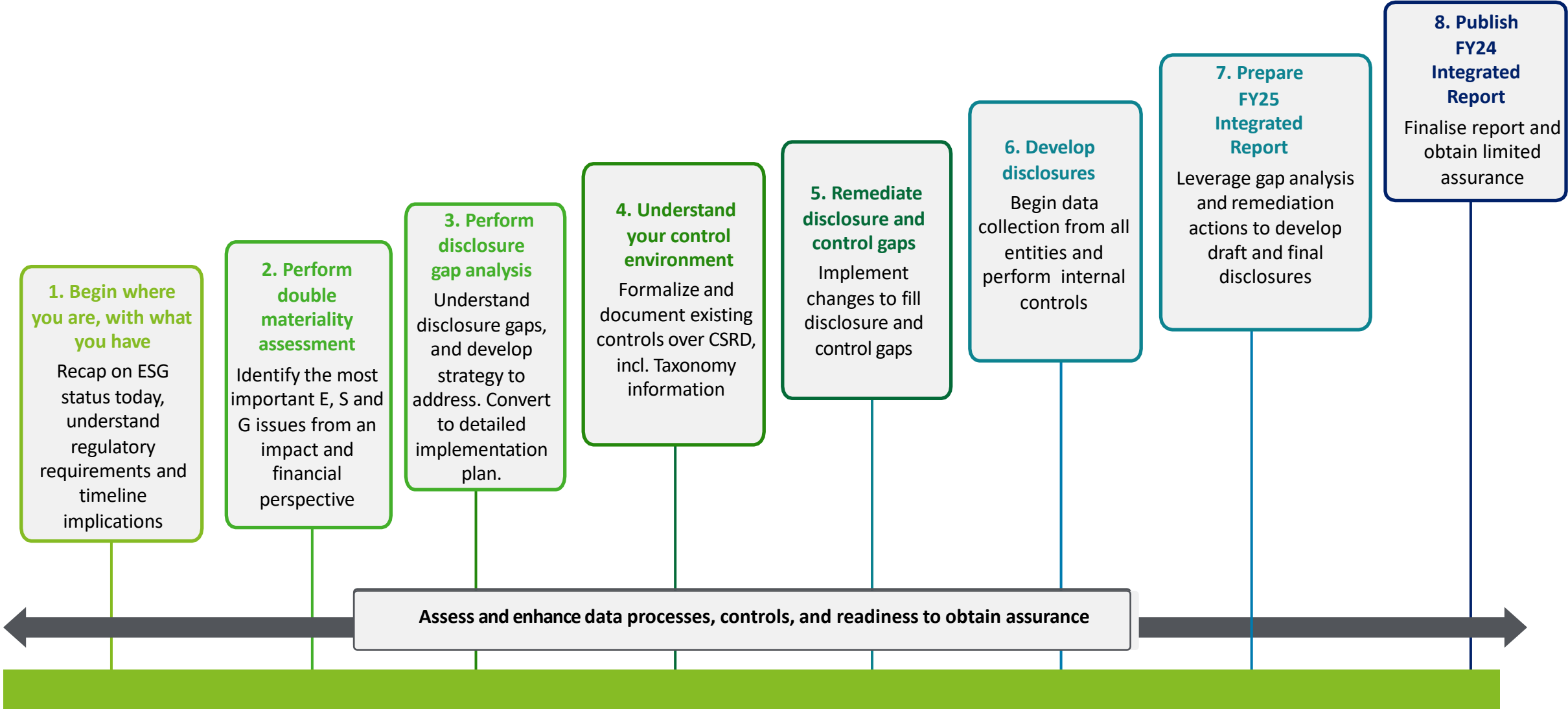
Source: [Philips Annual Report 2022](#) | [Philips Results](#)

# Other examples of visualizing output

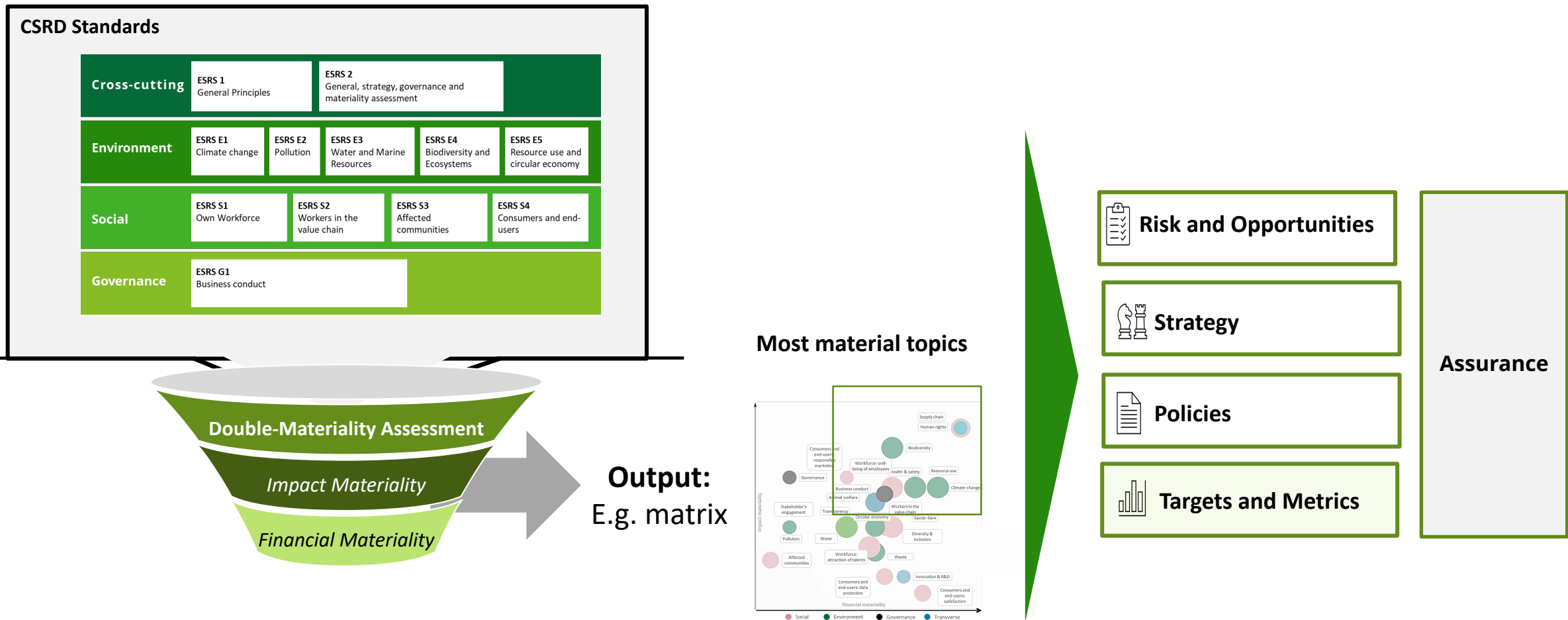
ESG topic	Material issue	Type of impact (Positive/Negative)	Main impact (Current/Potential)	Control of the impact	Impact materiality (Severity/Magnitude)	Financial materiality (Severity/Magnitude)	SUSTAINABLE DEVELOPMENT GOALS	UNGC principle
 Environment	GHG emissions	+	Reduction in Nilfisk's GHG emissions will contribute to curb global temperature rise to well below 2°C above pre-industrial levels	Direct and indirect	● ● ●	● ● ●	 13.2	Principles 7-9
		-	Failure to deliver GHG emission reductions will contribute to climate change which can also impact Nilfisk facilities and operations					
	Energy use and efficiency	+	Increasing energy efficiency of Nilfisk activities reduces costs, while switching to renewable energy can also reduce dependency on fossil fuels	Direct	● ● ●	● ● ●	 7.2 and 7.3	Principles 7-9
		-	Volatile energy costs and uncertainty of renewable energy availability may slow down the transition to renewables					
	Circularity and life cycle analysis	+	Focusing on circularity of materials and parts will optimize use of resources	Direct	● ● ○	● ● ●	 3.9	Principles 7-9
		-	Potential loss of market access if Nilfisk does not comply with upcoming EU product regulation					
	Packaging	+	Optimized packaging will reduce waste of materials and save costs	Direct	● ● ○	● ● ●	 12.2	Principles 7
		-	Lack of optimization leads to waste of materials for packaging and customer dissatisfaction					
	Material sourcing	+	The ability to recycle materials is an opportunity to save costs	Direct and indirect	● ● ○	● ● ●	 12.2	Principles 7-9
		-	Limited access to raw materials increases prices					
 Social	Diversity and inclusion	+	A culture that caters to diversity and inclusion has the opportunity to recruit and retain the best talent	Direct and indirect	● ● ●	● ● ●	 5.5 and 10.3	Principles 1-2 and Principle 6
		-	Inclusion of some groups should not take place at the expense of others					
	Anti-corruption/ Ethical behavior	+	Ethical behavior and processes will drive trust from customers and investors	Direct	● ● ●	● ● ●	 16.5	Principles 1-6 and Principle 10
 Governance		-	Corruption leads to lack of trust, loss of reputation, loss of business, and fines					

SUSTAINABILITY REPORT 2022

# Getting started and getting ready – an illustrative timeline



# Summary: The CSRD requirements will drive an unprecedented data collection and consolidation exercise intersecting with all functions in the business





# Thank you



**Helena Barton**

Partner, Sustainability

Deloitte

+45 30 93 68 13

[hbarton@deloitte.dk](mailto:hbarton@deloitte.dk)