

CSRD

Double Materiality Assessment and Environmental Topical Standards

EY Greece

12 June 2024



Create more value, make a **measurable** difference, and **accelerate** the transition to a fair and sustainable future.

Hello, welcome. With you today



Kiara Konti

*Partner,
Climate Change and Sustainability
Services Leader, EY Greece*



Ifigeneia Koutiva, PhD

*Senior Manager,
Climate Change and Sustainability
Services, EY Greece*

Agenda

A Double Materiality Assessment

B Environmental Topical Standards

A

Double Materiality Assessment

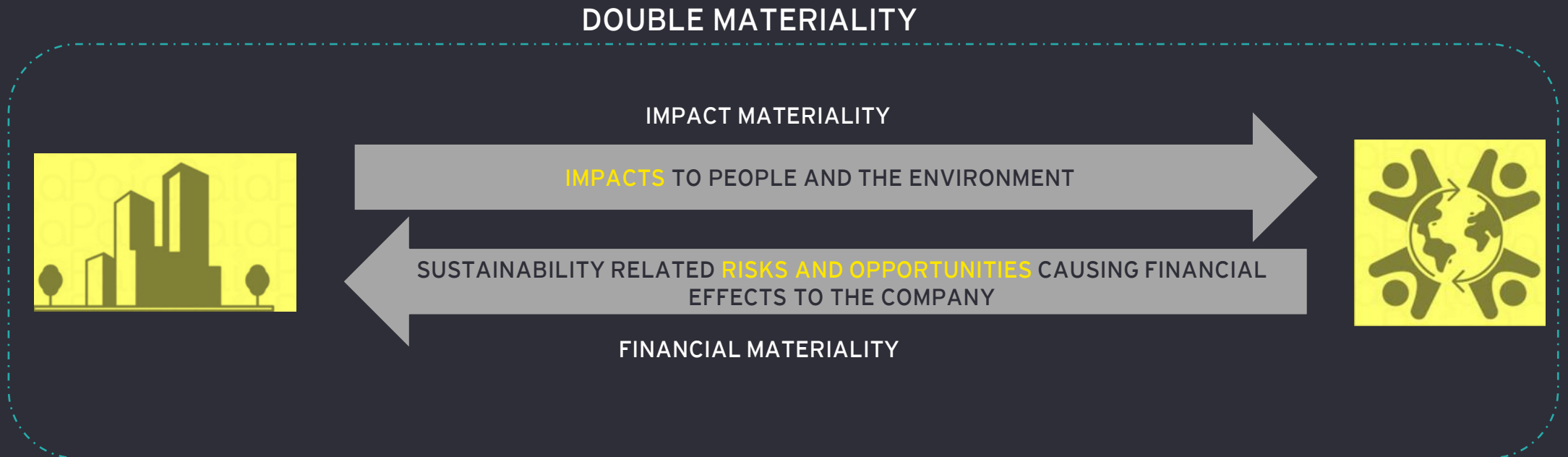


Double materiality according to the European Sustainability Reporting Standards (ESRS)

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**
Impact materiality and financial materiality assessments are inter-related and the interdependencies between these two dimensions shall be considered.

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



Double materiality according to the European Sustainability Reporting Standards (ESRS)

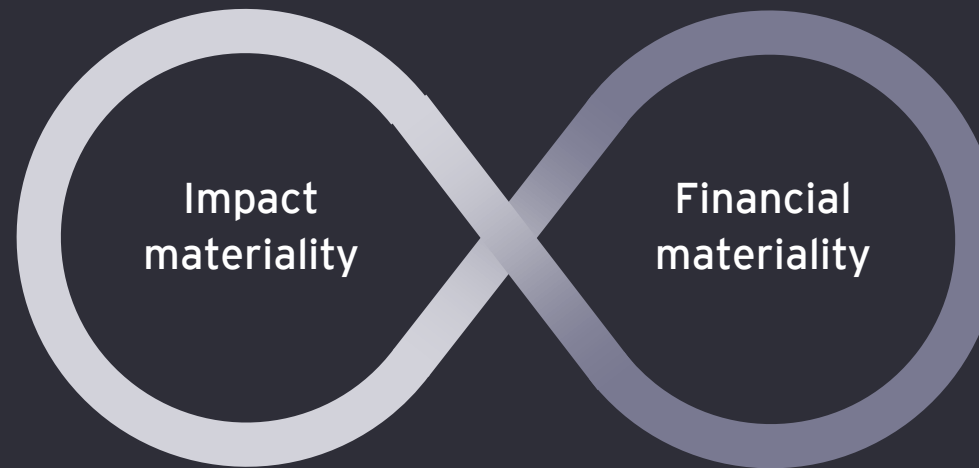
Impact Materiality

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.

The term "impacts" refers to positive and negative sustainability-related impacts that the undertaking has or could have **on the environment and people**, including effects on their human rights, connected with its own operations and upstream and downstream **value chain**, including through its products and services, as well as through its business relationships. Business relationships include those in the undertaking's upstream and downstream value chain and are not limited to direct contractual relationships.

Impacts are captured by the impact materiality perspective irrespective of whether or not they are financially material.

Impacts indicate the undertaking's contribution, negative or positive, to sustainable development.



In general, **the starting point is the assessment of impacts**, although there may also be material risks and opportunities that are not related to the undertaking's impacts (i.e. The undertaking shall consider how it is affected by its dependencies on the availability of natural, human and social resources at appropriate prices and quality, irrespective of its potential impacts on those resources)

In identifying and assessing the impacts, risks and opportunities in the undertaking's value chain to determine their materiality, the undertaking shall focus on areas where impacts, risks and opportunities are deemed likely to arise, based on the nature of the activities, business relationships, geographies or other factors concerned.

Financial Materiality

A sustainability impact may be financially material from inception or become financially material, when it could reasonably be expected to affect the undertaking's:

- ▶ financial position
- ▶ financial performance and development
- ▶ cash flows
- ▶ its access to finance
- ▶ or cost of capital

over the short-, medium- or long-term.

The scope of financial materiality for sustainability reporting is **an expansion** of the scope of materiality used in the process of determining which information should be included in the undertaking's financial statements.

Impact materiality; focus of the analysis is the effects/impacts to people or the environment and not the cause

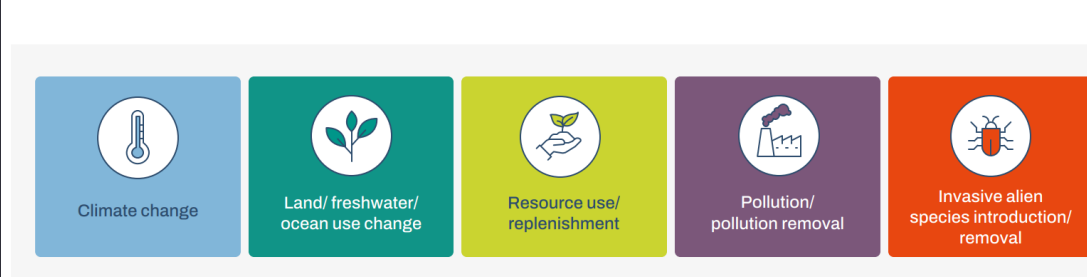
Impacts to the **environment**

▶ **IMPACTS ARE ABOUT CHANGE**

In the case of impacts to the environment: “Impacts refer to a change in the state of nature (quality or quantity)”

▶ **WHAT** is causing nature change?

Figure 12: The five drivers of nature change



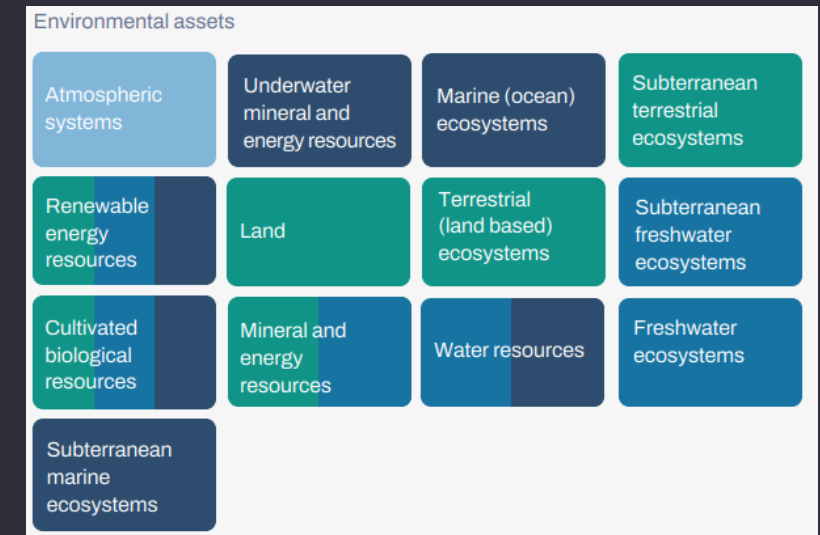
▶ **WHEN** is the change happening? Actual (already happening) or potential (short, mid term, long term)

▶ **WHO** is impacted?

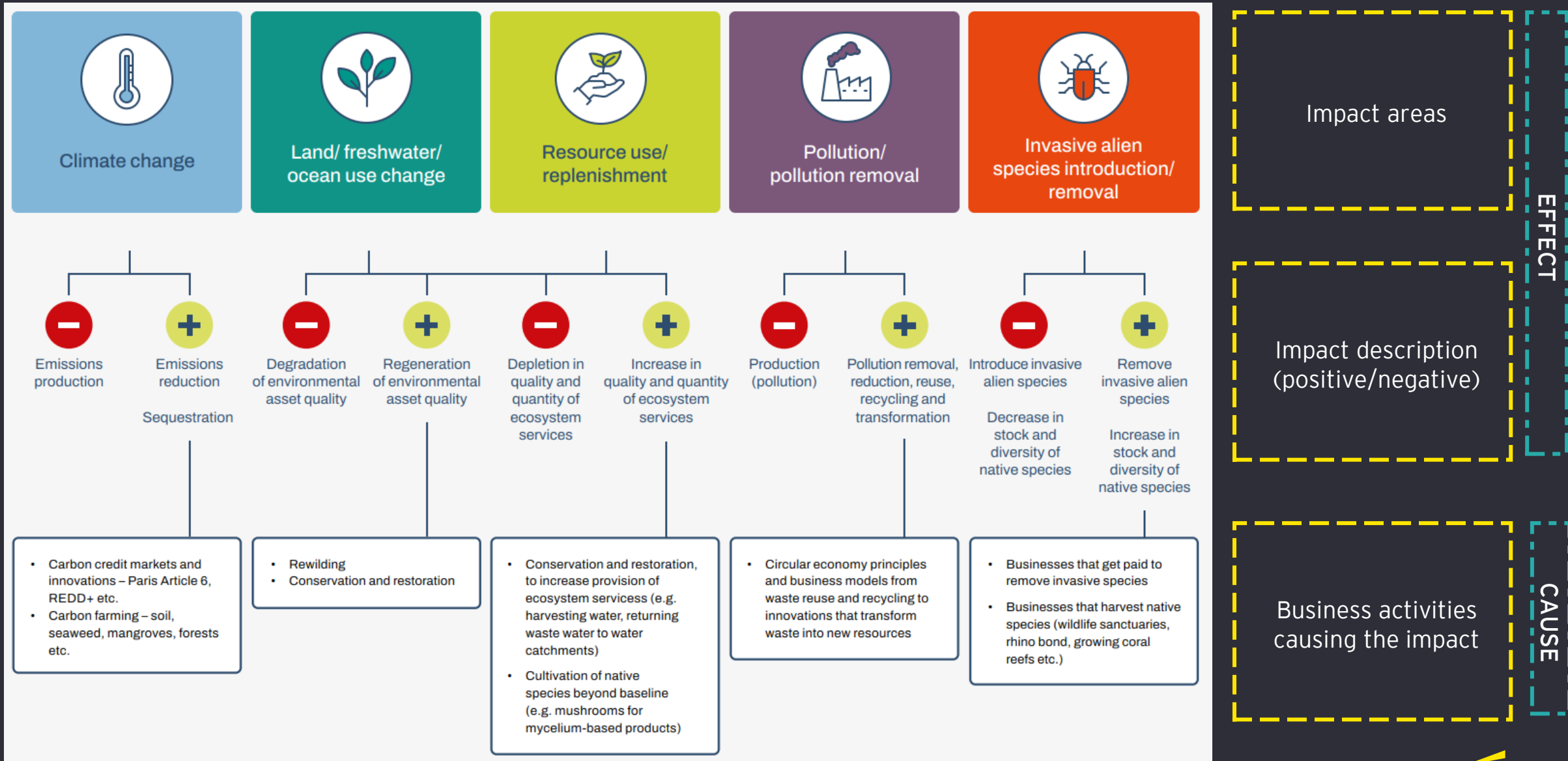
Changes to the state of nature refer to changes to:

- ▶ The condition and extent of **ecosystems**; and
- ▶ **Species** population size and extinction risk.

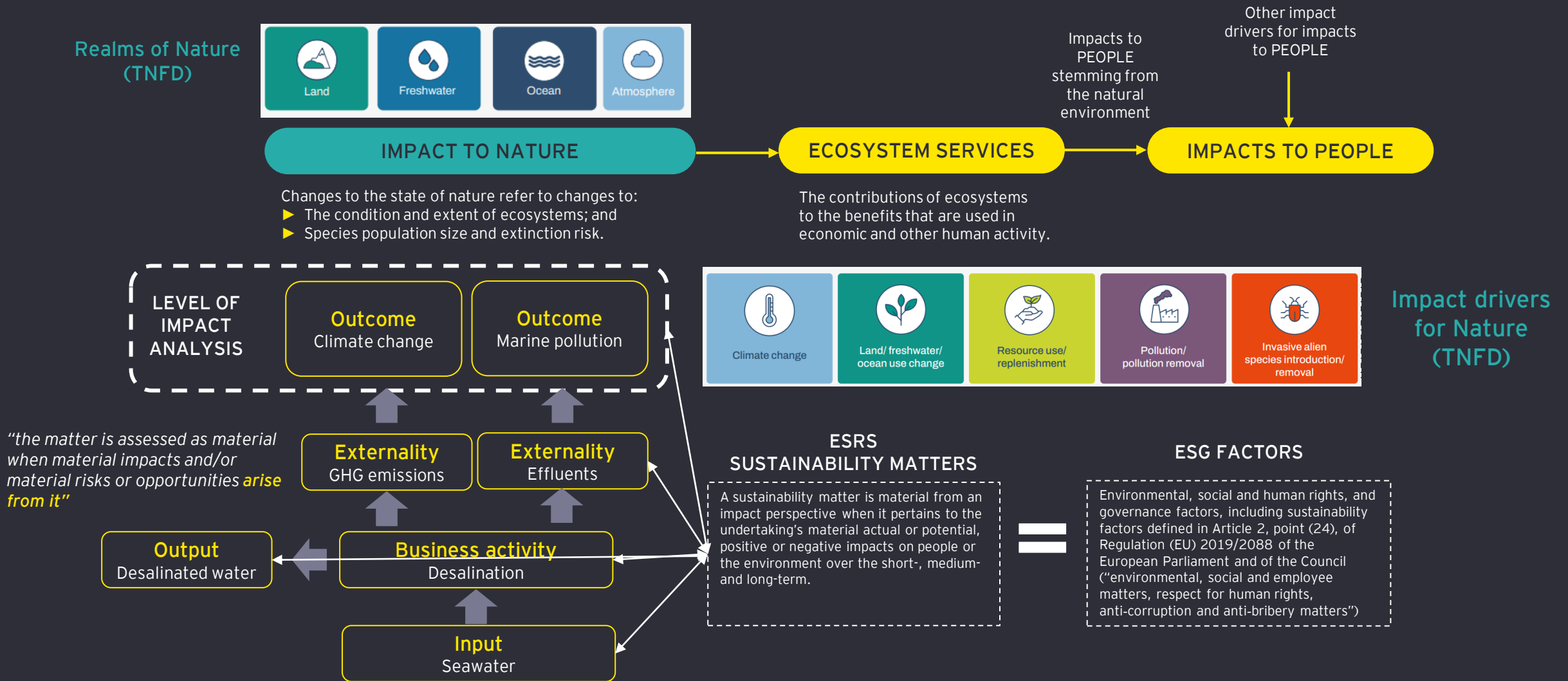
An **impact pathway** describes how, as a result of a specific business activity, a particular impact driver can lead to **changes in natural capital** (stocks of environmental assets):



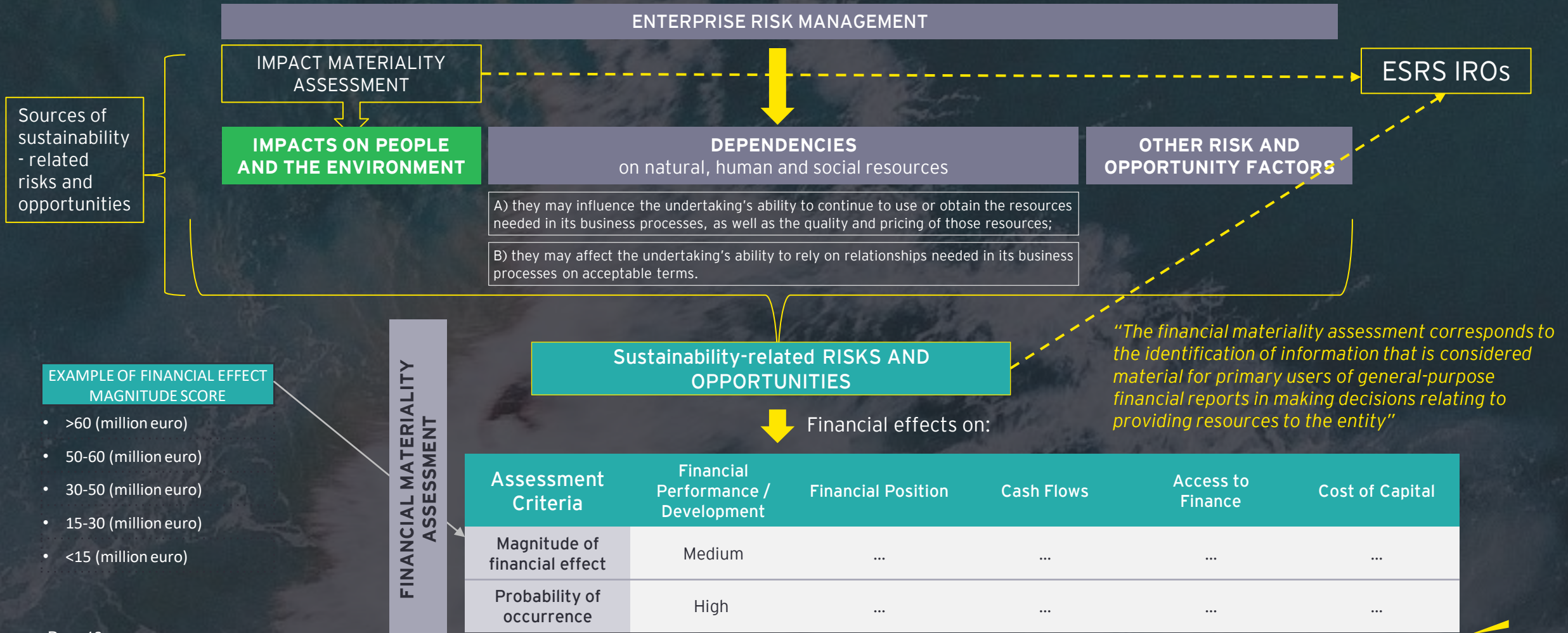
Drivers of nature change: reflecting both negative and positive impacts



Impact materiality: indicative example for impacts on the environment

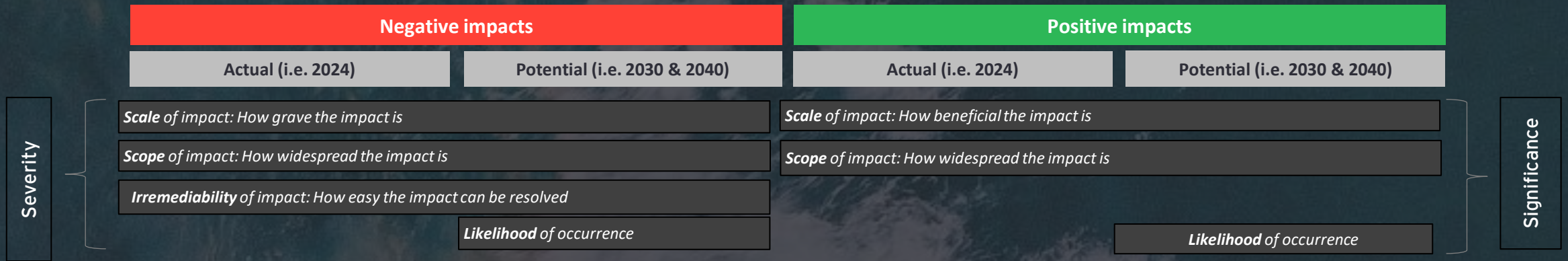


Financial materiality: approach for identifying and assessing ROs

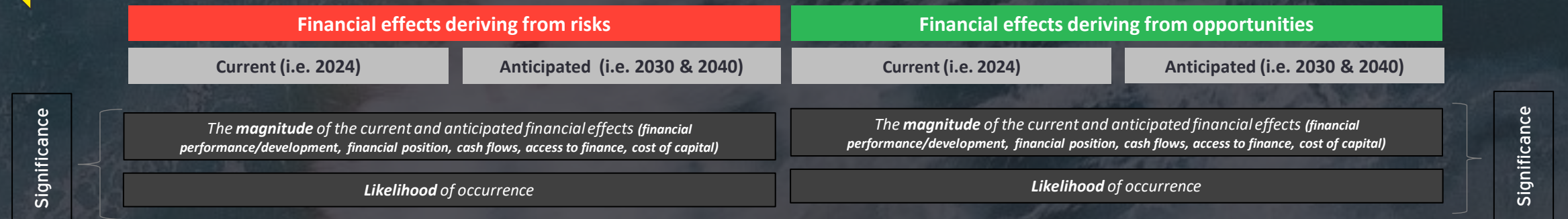


Double materiality assessment criteria

MATERIALITY OF IMPACT ON PEOPLE AND THE ENVIRONMENT (inside-out view)



MATERIALITY OF SUSTAINABILITY RELATED FINANCIAL EFFECTS ON THE COMPANY (outside-in view)



Interaction of *strategy & business model* with material impacts, risks and opportunities

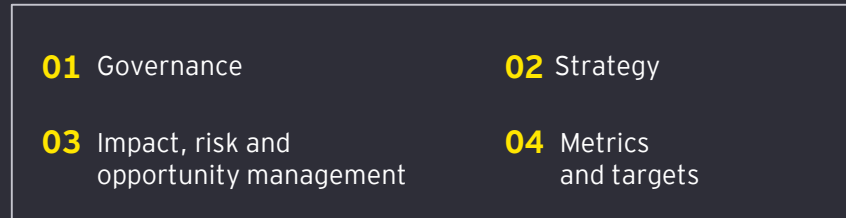
B

ESRS - Environmental Topical Standards

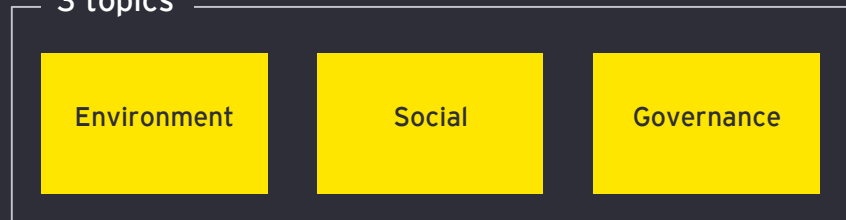


ESRS in a nutshell

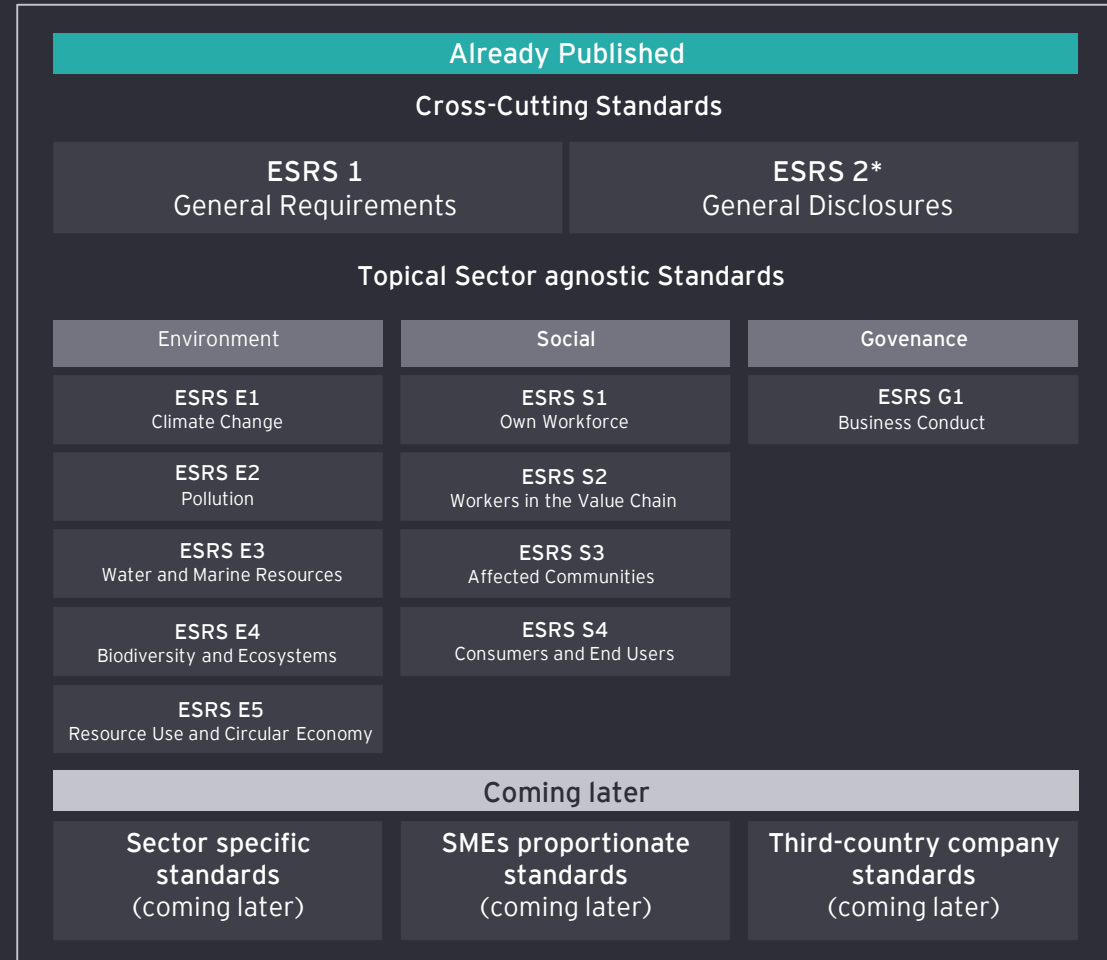
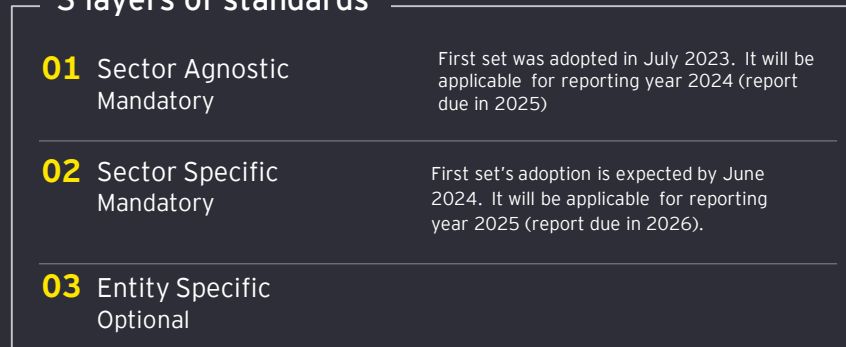
4 reporting areas



3 topics



3 layers of standards



*Contains datapoints that correspond to information required by financial institutions for reporting purposes respectively under the Sustainable Finance Disclosure Regulation (SFDR), the Benchmarks Regulation (BMR) or the "pillar 3" disclosure requirements.

ESRS Environmental Topics, sub-topics & sub sub-topics

Environment			
Topical ESRS	Topic	Sub-topic	Sub sub-topic
ESRS E1	Climate change	<ul style="list-style-type: none"> • Climate change adaptation • Climate change mitigation • Energy 	
ESRS E2	Pollution	<ul style="list-style-type: none"> • Pollution of air • Pollution of water • Pollution of soil • Pollution of living organisms and food resources • Substances of concern • Substances of very high concern • Microplastics 	
ESRS E3	Water and marine resources	<ul style="list-style-type: none"> • Water • Marine resources 	<ul style="list-style-type: none"> • Water consumption • Water withdrawals • Water discharges • Water discharges in the oceans • Extraction and use of marine resources
ESRS E4	Biodiversity and ecosystems	<ul style="list-style-type: none"> • Direct impact drivers of biodiversity loss 	<ul style="list-style-type: none"> • Climate Change • Land-use change, fresh water-use change and sea-use change • Direct exploitation • Invasive alien species • Pollution • Others
		<ul style="list-style-type: none"> • Impacts on the state of species 	<ul style="list-style-type: none"> • Species population size • Species global extinction risk
		<ul style="list-style-type: none"> • Impacts on the extent and condition of ecosystems 	<ul style="list-style-type: none"> • Land degradation • Desertification • Soil sealing
		<ul style="list-style-type: none"> • Impacts and dependencies on ecosystem services 	
ESRS E5	Resource use & circular economy	<ul style="list-style-type: none"> • Resources inflows, including resource use • Resource outflows related to products and services • Waste 	

Topical ESRS E1 Climate Change - disclosure requirements summary



Topical ESRS E2 Pollution – disclosure requirements summary

Minimum Disclosure Requirements

+

Impact, risk and opportunity management

ESRS 2 IRO-1 Description of the processes to identify and assess material pollution-related impacts, risks and opportunities

DR E2-1 Policies related to pollution

DR E2-2 Actions and resources related to pollution

+

Metrics and targets

DR E2-3 Targets related to pollution

DR E2-4 Pollution of air, water and soil

DR E2-5 Substances of concern and substances of very high concern

DR E2-6 Anticipated financial effects from material pollution-related risks and opportunities

ESRS E2-6

(Anticipated financial effects)

- ▶ 1st year omission for all undertakings
- ▶ May report only qualitative disclosures for the first 3 years
- ▶ Except for the information on the operating and capital expenditures occurred in the reporting period in conjunction with major incidents and deposits (40 (b))

Pollutants (except GHG)**

Air pollutants

SOx (sulphur oxides)	Non-methane volatile organic compounds (NMVOC)	NH3 (ammonia)
NOx (nitrogen oxides)	Particulate matter (PM10)	HM (heavy metals)
CO (carbon monoxide)	Chlorine and inorganic compounds (as HCl)	PCDD + PCDF (dioxins + furans)

Water and Soil pollutants

Nitrates	Phosphates	Pesticides/Fungicides/Biocides
HM (heavy metals)	BTEX (Benzene, toluene, ethyl benzene, xylenes)	Phenols
Cyanides	PAHs (Polyaromatic hydrocarbons)	PCDD + PCDF (dioxins + furans)

Microplastics

Generated	Used
-----------	------

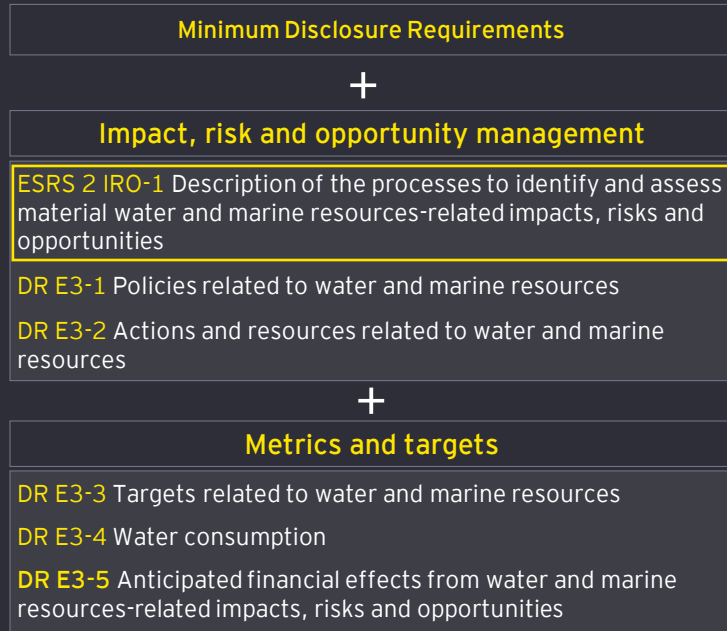
The undertaking shall put its disclosure into context and describe:

The changes over time	The measurement methodologies
The process(es) to collect data for pollution-related accounting and reporting, including the type of data needed and the information sources	
Contextual information	
Local air quality indices	Degree of urbanisation
The undertaking's percentage of the total emissions of pollutants to water and soil occurring in areas at water risk, including areas of high-water stress	

*Table taken from ESRS E2 and adapted

** As per [Annex II of Regulation \(EC\) No 166/2006](#) of the European Parliament and of the Council (European Pollutant Release and Transfer Register "E-PRTR Regulation") emitted to air, water and soil. [The list of pollutants showcased in the table is non-exhaustive, see Annex II for full list.](#) The amounts disclosed shall be consolidated amounts including the emissions from those facilities over which the undertaking has financial control and those over which it has operational control. The consolidation shall include only the emissions from facilities for which the applicable threshold value specified in Annex II of Regulation (EC) No 166/2006 is exceeded.

Topical ESRS E3 Water and marine resources – disclosure requirements summary

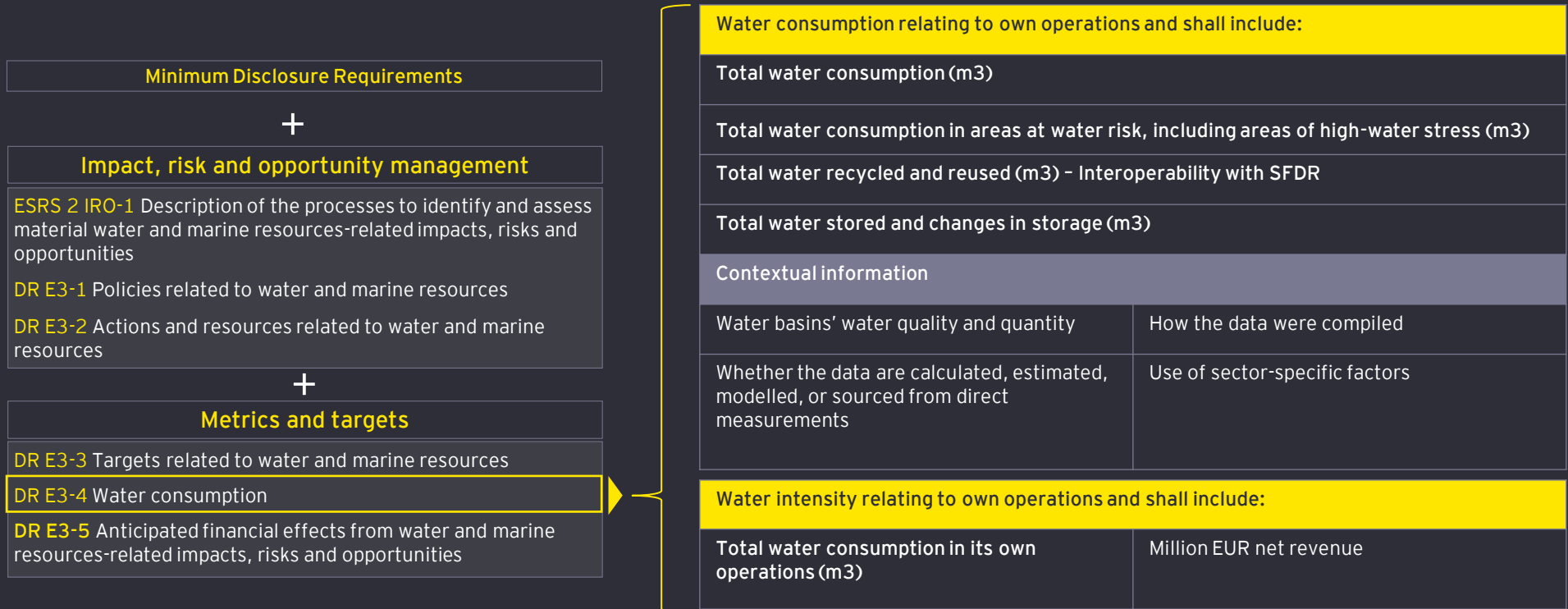


ESRS E3-5 (Anticipated financial effects)

- ▶ 1st year omission for all undertakings
- ▶ May report only qualitative disclosures for the first 3 years

Locate Interface with water and marine resources	Evaluate Dependencies & Impacts	Assess Material Risks & Opportunities
<p>Matters to be considered:</p> <ul style="list-style-type: none"> • Consumption of surface water & groundwater • Withdrawals and discharges of water • Extraction and use of marine resources and associated economic activities. 	<p>Identify:</p> <ul style="list-style-type: none"> • Business processes and activities that lead to impacts and dependencies on environmental assets and ecosystem services • Water and marine resources -related impacts and dependencies across the undertaking's value chain 	<p>Transition risks and opportunities in its own operations and its value chain:</p> <ul style="list-style-type: none"> • Policy and legal • Technology • Market • Reputation • Contribution to systemic risks
<p>Locations of areas at risk:</p> <ul style="list-style-type: none"> • Direct assets and operations and related upstream and downstream activities across the value chain: • Sites located in areas at water risk, including areas of high-water stress 	<p>Assess:</p> <ul style="list-style-type: none"> • Severity and likelihood of the positive and negative impacts on water and marine resources. 	<p>Physical risks:</p> <ul style="list-style-type: none"> • Water quantity • Water quality • Infrastructure decay • Unavailability of some marine resources-related commodities
<p>Sectors or business units interfacing with priority locations.</p>		<p>Opportunities:</p> <ul style="list-style-type: none"> • Resource efficiency • Markets • Financing • Resilience • Reputation

Topical ESRS E3 Water and marine resources – disclosure requirements summary



ESRS E3-5 (Anticipated financial effects)

- ▶ 1st year omission for all undertakings
- ▶ May report only qualitative disclosures for the first 3 years

Topical ESRS E4 Biodiversity and ecosystems - disclosure requirements summary



Undertakings or groups **not exceeding** on their balance sheet dates the **average number of 750 employees** during the financial year (on a consolidated basis where applicable) may omit the information specified in the disclosure requirements of ESRS E4 for **the first 2 years** of preparation of their sustainability statement.

Minimum Disclosure Requirements



Topic Specific Governance & Strategy

DR E4-1 Transition plan and consideration of biodiversity and ecosystems in strategy and business model

ESRS 2 SBM-3 Material impacts, risks and opportunities and their interaction with strategy and business model(s)



Impact, risk and opportunity management

ESRS 2 IRO-1 Description of processes to identify and assess material biodiversity and ecosystem-related impacts, risks and opportunities

DR E4-2 Policies related to biodiversity and ecosystems

DR E4-3 Actions and resources related to biodiversity and ecosystems



Metrics and targets

DR E4-4 Targets related to biodiversity and ecosystems

DR E4-5 Impact metrics related to biodiversity and ecosystems change

DR E4-6 Anticipated financial effects from biodiversity and ecosystem-related risks and opportunities

ESRS E4-6 (Anticipated financial effects)

- ▶ 1st year omission for all undertakings
- ▶ May report only qualitative disclosures for the first 3 years

If the undertaking identified sites located in or near biodiversity-sensitive areas that it is negatively affecting

Disclose the number and area (in hectares) of sites owned, leased or managed in or near these protected areas or key biodiversity areas.

If the undertaking has identified material impacts with regards to land-use change, or impacts on the extent and condition of ecosystems

Disclose their land-use based on a Life Cycle Assessment.

If the undertaking concluded that it directly contributes to the impact drivers of accidental or voluntary introduction of invasive alien species

Shall disclose how it manages pathways of introduction and spread of invasive alien species and the risks posed by invasive alien species.

If the undertaking has concluded that it directly contributes to the impact drivers of land-use change, freshwater-use change and / or sea-use change, the undertaking shall report relevant metrics considering:

The conversion over time (e.g. one or five years) of land cover (e.g., deforestation or mining)

Changes over time in the management of the ecosystem

Changes in the spatial configuration of the landscape

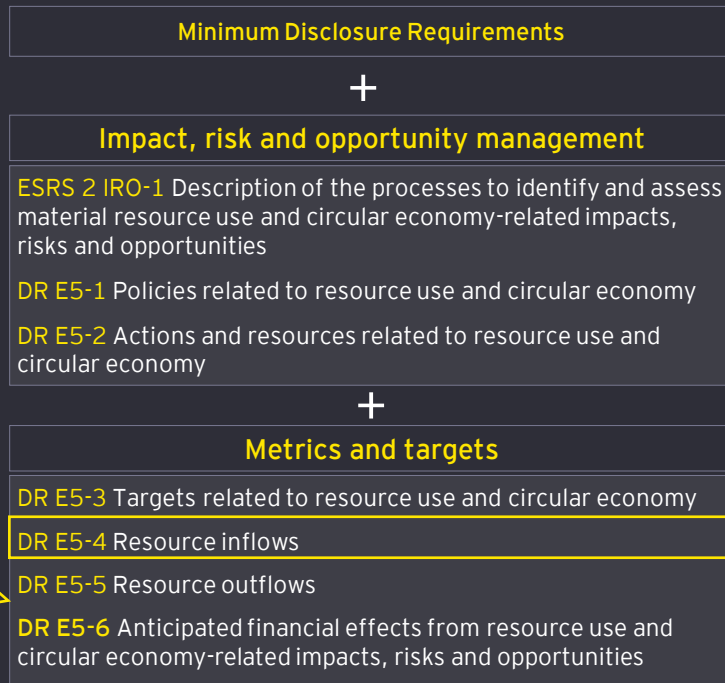
Changes in ecosystem structural connectivity

The functional connectivity

Topical ESRS E5 Resource use and circular economy – disclosure requirements summary

**ESRS E5-6
(Anticipated financial effects)**

- ▶ 1st year omission for all undertakings
- ▶ May report only qualitative disclosures for the first 3 years



The undertaking shall disclose information on its resource inflows related to its material impacts, risks and opportunities.

Disclose products (including packaging) and materials (specifying critical raw materials and rare earths), water and property, plant and equipment used in the undertaking’s own operations and along its upstream value chain

Resource inflows may cover the following categories:

IT equipment, textiles, furniture, buildings, heavy machinery, mid-weight machinery, light machinery, heavy transport, mid-weight transport, light transport and warehousing equipment

With regard to materials, resource inflow indicators include raw materials, associated process materials , and semi-manufactured goods or parts

When an undertaking assesses that resource inflows is a material sustainability matter, it shall disclose the following information about the materials used to manufacture the undertaking’s products and services during the reporting period

The overall total weight of products and technical and biological materials used during the reporting period (in tonnes or kilogrammes)

The percentage of biological materials (and biofuels used for non-energy purposes) used to manufacture the undertaking’s products and services (including packaging) that is sustainably sourced, with the information on the certification scheme used and on the application of the cascading principle

The weight in both absolute value (tonnes or kilogrammes) and percentage, of secondary reused or recycled components, secondary intermediary products and secondary materials used to manufacture the undertaking’s products and services (including packaging)

The undertaking shall provide information on the methodologies used to calculate the data

Specify whether the data is sourced from direct measurement or estimations

Disclose the key assumptions used

Thank you!

Any questions?



Kiara Konti

*Partner,
Climate Change and Sustainability
Services Leader, EY Greece*

kiara.konti@gr.ey.com



Ifigeneia Koutiva, PhD

*Senior Manager,
Climate Change and Sustainability Services, EY
Greece*

ifigeneia.koutiva@gr.ey.com

EY | Building a better working world

EY exists to build a better working world, helping create long-term value for clients, people and society and build trust in the capital markets.

Enabled by data and technology, diverse EY teams in over 150 countries provide trust through assurance and help clients grow, transform and operate.

Working across assurance, consulting, law, strategy, tax and transactions, EY teams ask better questions to find new answers for the complex issues facing our world today.

EY refers to the global organization, and may refer to one or more, of the member firms of Ernst & Young Global Limited, each of which is a separate legal entity. Ernst & Young Global Limited, a UK company limited by guarantee, does not provide services to clients. Information about how EY collects and uses personal data and a description of the rights individuals have under data protection legislation are available via ey.com/privacy. EY member firms do not practice law where prohibited by local laws. For more information about our organization, please visit ey.com.

About EY's Climate Change and Sustainability Services

Governments and organizations around the world are increasingly focusing on the environmental, social and economic impacts of climate change and the drive for sustainability.

Your business may face new regulatory requirements and rising stakeholder concerns. There may be opportunities for cost reduction and revenue generation. Embedding a sustainable approach into core business activities could be a complex transformation to create long-term shareholder value.

The industry and countries in which you operate as well as your extended business relationships introduce specific challenges, responsibilities and opportunities.

Our global, multidisciplinary team combines our experience in assurance, consulting, strategy, tax and transaction services with climate change and sustainability knowledge and experience in your industry. You'll receive tailored service supported by global methodologies to address issues relating to your specific needs. Wherever you are in the world, EY can provide the right professionals to support you in reaching your sustainability goals.

© 2024 EY
All Rights Reserved.

ey.com

Legal Name: ERNST AND YOUNG Single Member Societe Anonyme for the Provision of Advisory Services
Distinctive title: ERNST & YOUNG BUSINESS ADVISORY SOLUTIONS
Legal form: Societe Anonyme
Registered seat: Chimarras 8B, Maroussi, 15125
General Commercial Registry No: 001576101000

EY HELLAS
Legal Name: ERNST & YOUNG (HELLAS) Certified Auditors-Accountants S.A.
Distinctive title: ERNST & YOUNG
Legal form: Societe Anonyme
Registered seat: Chimarras 8B, Maroussi, 15125
General Commercial Registry No: 000710901000