

Webinar

Double Materiality Assessment: Value Creation and Value Leaks

2 April 2024

Agenda

Welcome

Carina Ohm, Partner and Leader of ESG and Sustainability Services, PwC

The Double Materiality Assessment

Erik Thomas Johnson, Director, PwC

- Requirements of the European Sustainability Reporting Standards
- What we've learned so far: how to navigate the process efficiently, meet compliance and create and capture business value

ESG in SDC

Dorte Raahave Østerdal, Head of ESG, SDC

Questions and Discussion



The Double Materiality Assessment

Erik Thomas Johnson

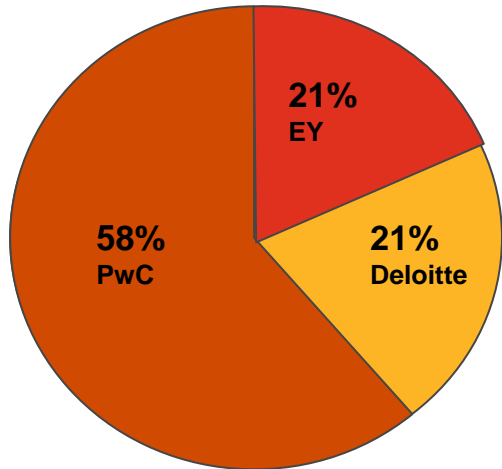
Director, Sustainability Advisory & Assurance
Services, PwC



PwC leads in sustainability with market share and competences

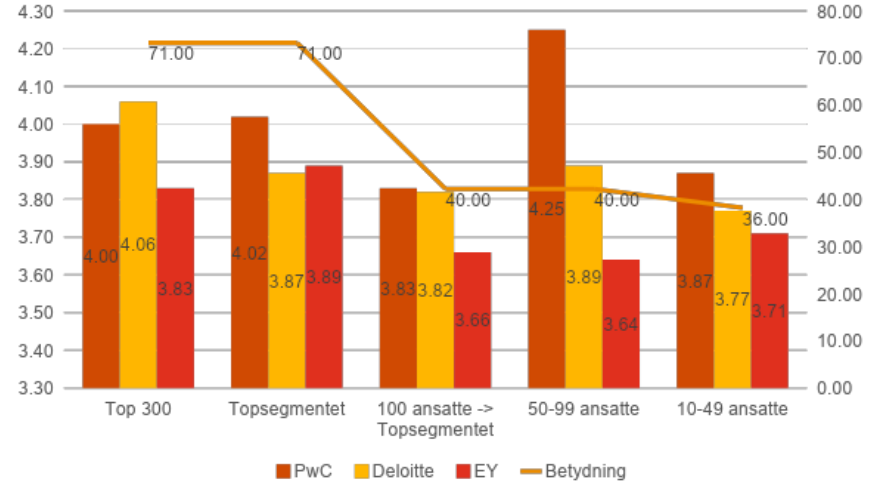
We are proud and honoured that PwC is Denmark's leading provider of assurance for sustainability and ESG. We are also proud that Aalund's market analysis assesses PwC highest in the advisers' competences within social responsibility and sustainability.

C25 Sustainability and ESG assurance market share



June 2023

Aalund's competence analysis within social responsibility and sustainability



In the Top 300, competitors have a limited number of respondents, which is why the ratings must be interpreted with caution.

“What are the main changes of the Corporate Sustainability Reporting Directive?”

The CSRD is a reporting Directive, not a reporting Directive.

Main changes

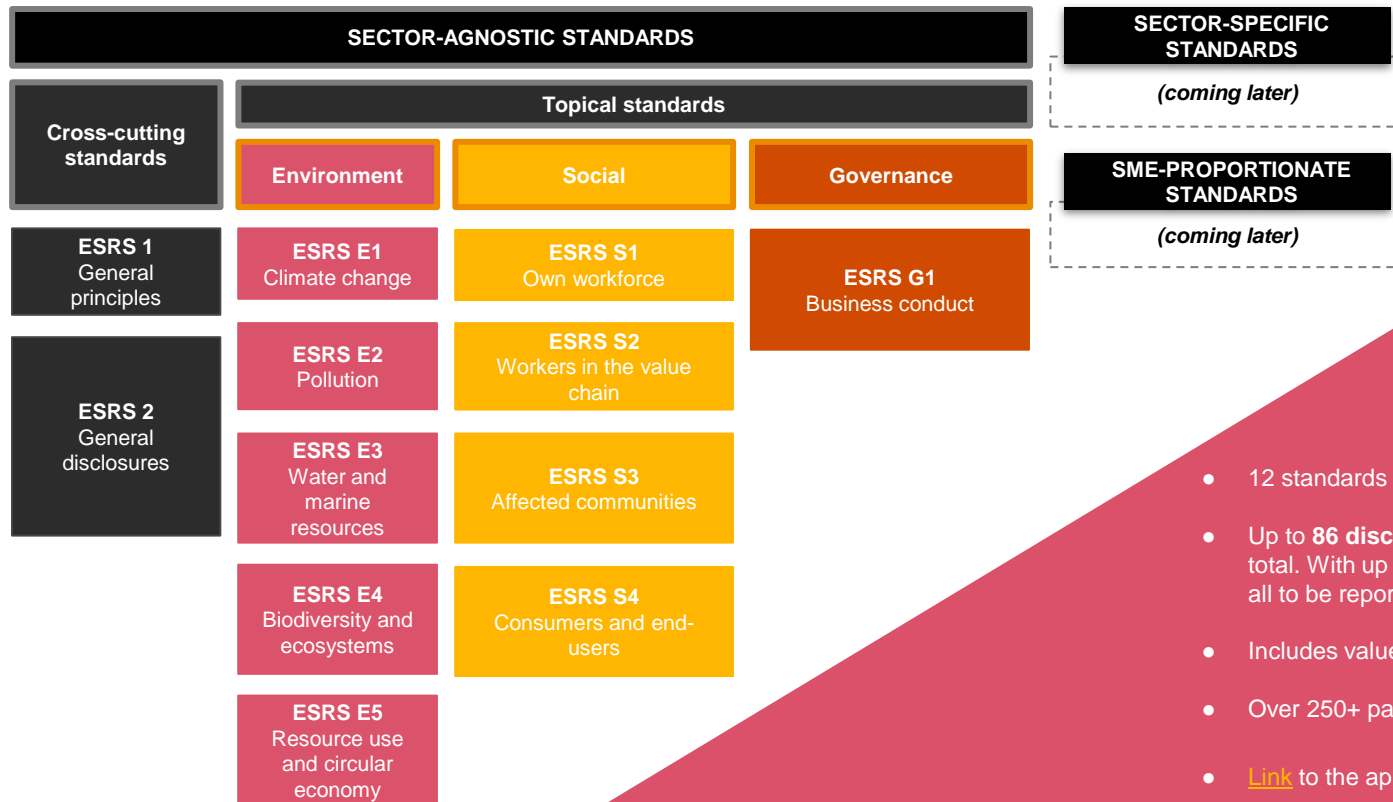


Who?	Significant extension of the scope of sustainability reporting
What?	<ul style="list-style-type: none">• Expanding the content of sustainability reports• EU has created own reporting standards (European Sustainability Reporting Standards)• Reporting at level of / concern
Where?	Sustainability report mandatory component of the (consolidated) management report together with the financial reporting
How?	Electronic format and tagging of sustainability reports mandatory
Responsibility?	Responsibility of management and governance and new role (oversight) of the audit committee
Enforcement?	Clear responsibilities for preparation, oversight and enforcement
Audit?	Mandatory audit of sustainability reports with limited assurance

Application intended for reporting periods starting from
1. January 2024 for Public Interest Entities
1. January 2025 for Large (regnskabsklasse C) companies

“What are the European Sustainability Reporting Standards?”

The ESRS 2 General Disclosures are mandatory. They include the description of the double materiality assessment, which helps the reporting company to determine their reporting requirements.



- 12 standards of which 10 are topical.
- Up to **86 disclosure requirements (DRs)** in total. With up to 1,000+ data points (KPIs) in all to be reported.
- Includes value chain impacts.
- Over 250+ pages
- [Link](#) to the approved standards.

“Which disclosures are mandatory?”

Answer: ESRS 2 General disclosures are mandatory

Contains the general disclosure requirements

ESRS 2 establishes information to be mandatorily provided at a general level, across all sustainability topics.

1 Governance (GOV)

GOV-1 – The role of the administrative, management and supervisory bodies

GOV-2 – Information provided to and sustainability matters addressed by the undertaking’s administrative, management and supervisory bodies

GOV-3 - Integration of sustainability-related performance in incentive schemes

GOV-4 - Statement on sustainability due diligence

GOV-5 - Risk management and internal controls over sustainability reporting

2 Strategy (SBM)

SBM-1 – Market position, strategy, business model(s) and value chain

SBM-2 – Interests and views of stakeholders

SBM-3 - Material IRO and their interaction with strategy and business model(s)

3 IRO management

Disclosures on the materiality assessment process

IRO-1 - Description of the processes to identify and assess material IRO

IRO-2 – Disclosure Requirements in ESRS covered by the undertaking’s sustainability statements

Reporting on opportunities

Disclosure Content on policies and actions

DC-P – Policies adopted to manage material sustainability matters

DC-A – Actions and resources in relation to material sustainability matters

4 Metrics & targets

Disclosure Content Metrics

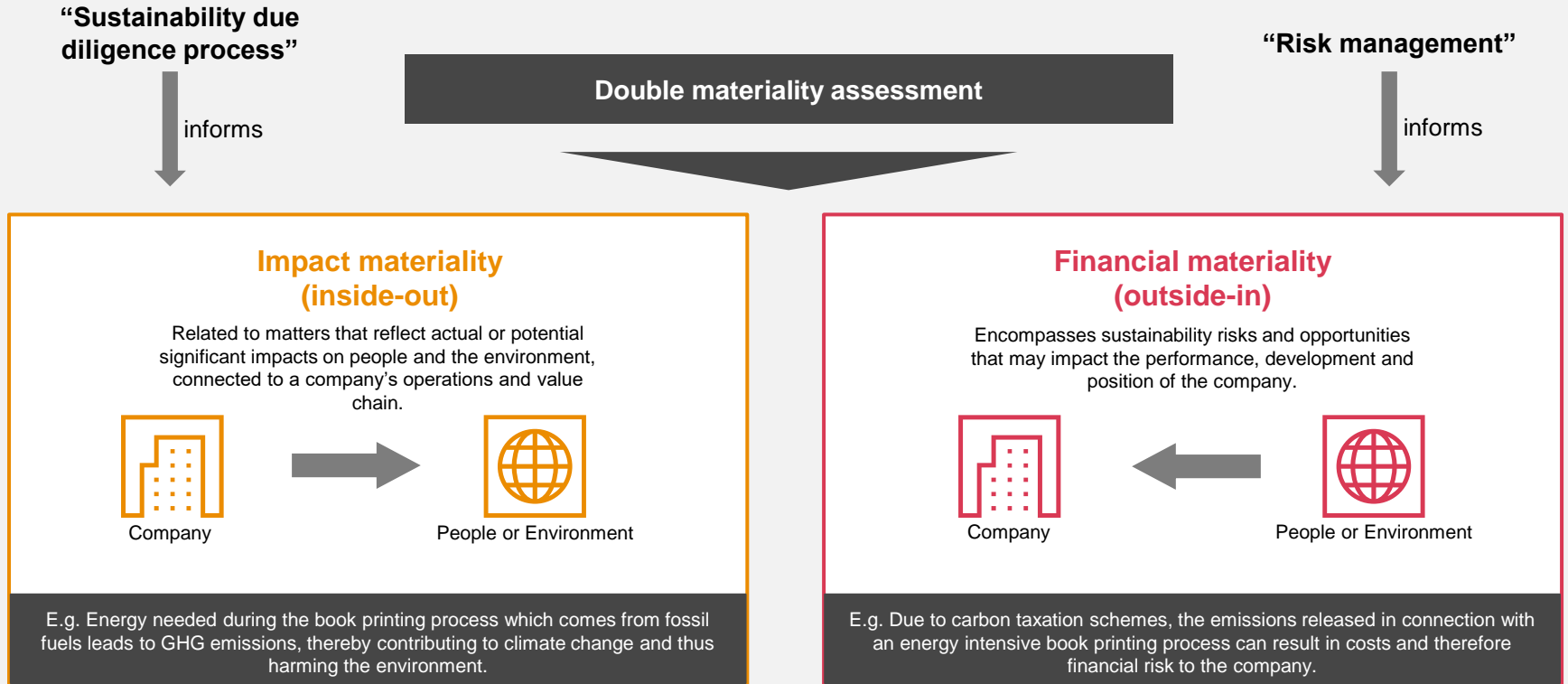
DC-M – Metrics in relation to material sustainability matters

Disclosure Content Targets

DC-T – Tracking effectiveness of policies and actions through targets

“What is a double materiality perspective?”

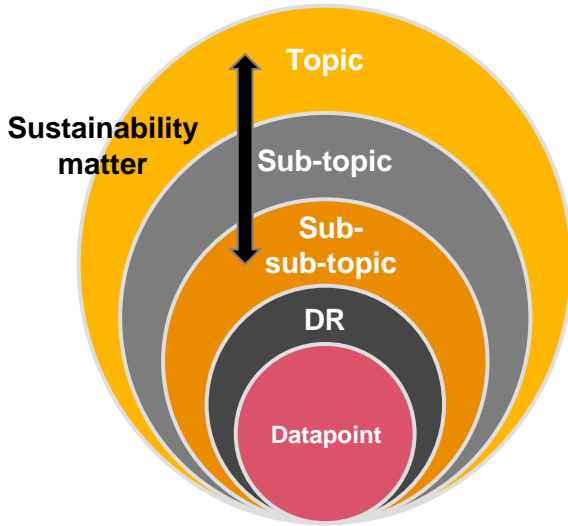
Double materiality asks companies to consider the impacts *on* the company, as well as *from* the company on society and the environment.



Own operations and along the upstream and downstream **value chain**

“How are the standards structured?”

The standards are organised by sustainability matters, topics, sub-topics, sub-sub topics, and disclosure requirements and datapoints. Impacts, risks and opportunities are a key functional unit of the double materiality assessment.



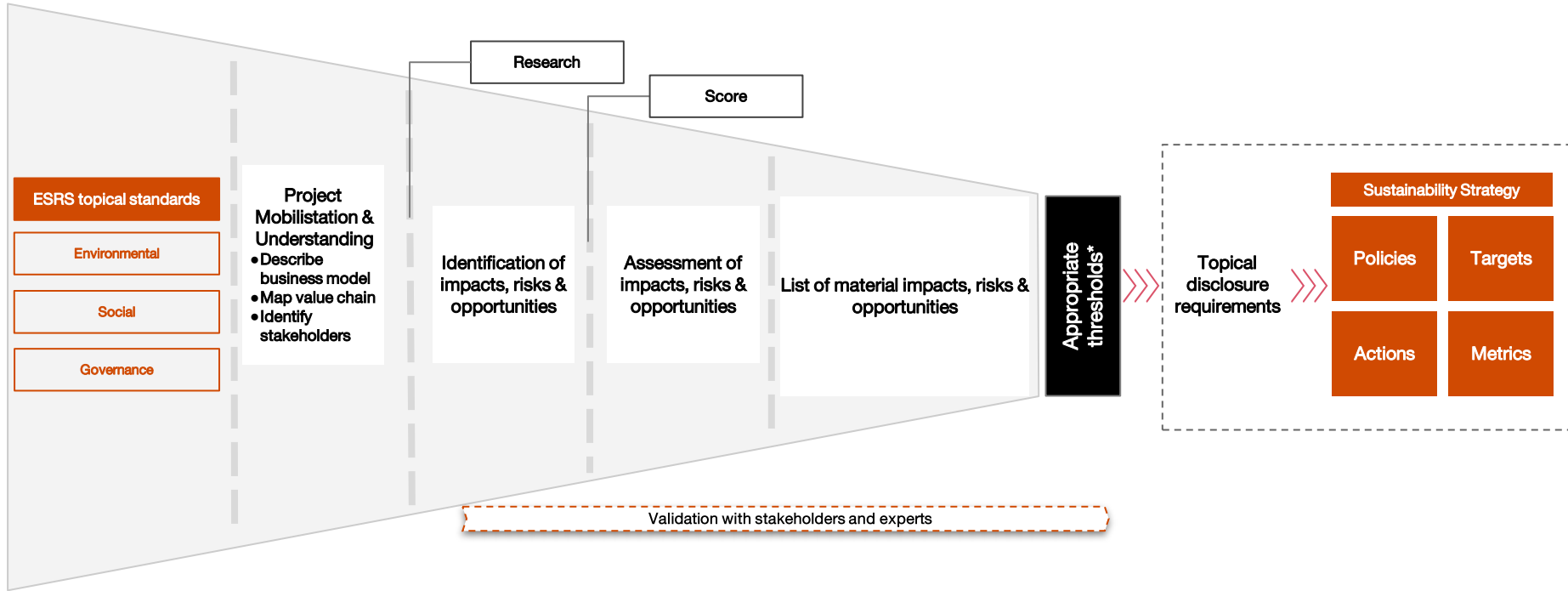
Example

Risk	Age discrimination in our company may result in reputational risk and increased cost of recruitment.
Topic	Own workforce
Sub-topic	Equal treatment and opportunities for all
Sub-sub-topic	Diversity
Disclosure Requirement (DR) (Sustainability matter driven)	DR S1-9 – Diversity indicators: Disclosure of gender distribution at top management and the age distribution amongst its employees
Datapoint (IRO-driven)	Distribution of employees by age group: under 30 years old, 30-50 years old; over 50 years old

“What does a Double Materiality Assessment process look like?”

PwC maps the process into the 4 phases:

Mobilisation, understanding, identification, assessment



“Who should be in the project team?”

The amount of time may vary widely depending on the company size and complexity and level of ESG risks and the company’s maturity in managing and reporting on ESG. This is a suggestion.

Role	Project Coordinator	ESG	Enterprise Risk/Finance	Subject Matter Expert	Decision Maker /Sponsor
Function	Project leader	Head of sustainability and ESG topic owners	Head of enterprise risk and relevant staff supporting	Head of e.g. tax, procurement, HR etc. and relevant staff	Executive level managers
Personal Competencies	Organisational skills and interpersonal skills	Subject matter expertise on ESG (both reporting and strategy)	Subject matter expertise on financial risk	Subject matter expertise on business matters related to ESG, such as tax, supply chain, procurement, HR etc.	Business strategy
Estimated time (per person)	4 -12 hours (weekly)	4 -12 hours (weekly)	10 hours (in total)	8 hours (in total)	8 hours (in total)
Expectations	Facilitate workshops internally and participate in weekly check-ins with PwC.	Participate in 2 workshops, Validation of deliverables, decision on thresholds, review IRO's and Materiality assessments.	Participate in 1 workshop, decision on financial materiality threshold, assess IRO's, review financial materiality assessment.	Participate in 1 workshop, decision on impact materiality threshold, review materiality assessment.	Review and approve materiality assessments incl. applied criteria, assumptions and thresholds, compliance road map.
Key Deliverables	Materiality assessment (impact + financial), compliance roadmap.	Materiality assessment (impact + financial), compliance roadmap.	Financial materiality assessment.	Impact materiality assessment.	Materiality assessment (impact + financial), compliance roadmap

“Which internal stakeholders should I involve?”

These are generic examples of company subject matter experts who may be included in workshops or interviews to inform, validate and assess the list of impacts, risks and opportunities.

Environmental impact assessment	Social impact assessment	Governance impact assessment	Financial impact assessment
<ul style="list-style-type: none"> ● Environmental, Health and Safety (EHS) manager ● Engineering or construction team member ● Supply chain control team member ● Procurement team member ● Sustainability team member ● Executive team or board members 	<ul style="list-style-type: none"> ● Human resources (HR) team member ● Employees representatives ● Sustainability team member ● Operations team member ● Marketing or public relations team member ● Legal team member ● Compliance or risk management team member ● Internal audit team member ● Company secretary or similar role ● IT Security team member ● Executive team or board members 		<ul style="list-style-type: none"> ● Finance team member ● Accounting team member ● Sales team member ● Business Development team member ● Sustainability team member ● Operations team member ● Executive team or board members
<p>Other possible stakeholders:</p> <ul style="list-style-type: none"> ● Country managers / General Managers ● Human resources provider 			

“Does ESRS 2 requires my company to engage with stakeholders?”

According to ESRS, companies must disclose how they considers the interests and views of stakeholders. New efforts to engage with stakeholders in light of CSRD implementation are encouraged but are not an explicit requirement.

Selected quotes from ESRS 2 Disclosure Requirement SBM-2:

- the reporting company shall disclose how the interests and views of its stakeholders are taken into account by the undertaking’s strategy and business model.
- The undertaking shall disclose a summarised description of:
 - (a) its stakeholder engagement, including:
 - i. the undertaking’s key stakeholders;
 - ii. whether engagement with them occurs and for which categories of stakeholders;
 - iii. how it is organised;
 - iv. its purpose; and
 - v. how its outcome is taken into account by the undertaking;
 - (b) the undertaking’s understanding of the interests and views of its key stakeholders as they relate to the undertaking’s strategy and business model, to the extent that these were analysed during the undertaking’s due diligence process and/or materiality assessment process;
 - (c) where applicable, amendments to its strategy and/or business model...

The objective of this Disclosure Requirement is to provide an understanding of how stakeholders’ interests and views inform the undertaking’s strategy and business model.

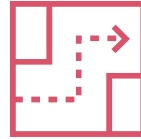
“What are the most common mistakes in the process?”

Avoid common mistakes! Be sure to identify, describe and apply criteria and appropriate thresholds for materiality. This is an opportunity for business value creation.



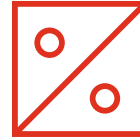
Spend time on impacts, risks & opportunities

A granular understanding of the specific impacts, risks and opportunities are important and it is necessary to move beyond the list of topics, sub-topics and sub-sub topics with good descriptions of the individual IRO.



Assess 'gross risk'

The company must identify and assess its IRO's based on gross risk - before any mitigating actions - and not residual risk. Intended users of the report will want to know which risks the company has identified *before* mitigating them.



Define & apply assessment criteria

Good documentation of the double materiality assessment process is critical for seeking an Assurance opinion according to the non-financial reporting assurance standards ISAE 3000 (and ISSA 5000).



Remember precedence of human rights impacts

For potential negative human rights impacts, the severity of the impact takes precedence over its likelihood. Documentation of the approach and output is required.

ESG in SDC

Dorte Raahave Østerdal
Head of ESG, SDC



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April 2, 2024

ESG in SDC

By Head of ESG in SDC, Dorte Raahave Østerdal

A great banking experience

SDC



Introduction

Dorte Raahave Østerdal, Head of ESG

- I joined SDC as Head of ESG in April 2023
- Experience with ESG & Corporate Social Responsibility (CSR) latest as Senior Sustainability Advisor in PFA Pension and previous experience from LEO Pharma
- Communication Manager in sanofi, Denmark
- Master of Laws (cand.jur.) from University of Copenhagen
- Executive CBA in 'Strategic Leadership' and 'Purpose, People & Performance', AVT Business School



"I am dedicated to raise the ESG agenda in SDC together with SDC colleagues and our customers. I find that SDC has an important role to play in providing solutions for our customers in relation to ESG."

About SDC

SDC is a full-service IT-center, that develops efficient and future-proof banking solutions for millions of bank customers throughout the Nordic region.

The use of digital technologies is booming, and our pursuit for efficient, user-friendly, and open systems continues to drive us.

“A great banking experience at a competitive price”, we call it.



5.6

million customer
accounts with the
SDC Banks



50+

customers



647

employees



1.8 m.

end users



SDC



ESG in SDC

As a provider of critical financial infrastructure in the Nordics, we are aware of our corporate social responsibility



UN Global Compact & Sustainable Development Goals

We are UN Global Compact member, support UN's goals and actively work towards goals 5 and 8.



Towards Sustainable Banking

ESG ambition in close collaboration with our customers.



Business Practices and Ethics

Responsible IT security, GDPR, Data Protection Officer, CSR policy, and Whistleblower scheme.



CO₂ Neutrality

By the end of 2029
(baseline 2022)



Attractive Workplace

Personnel and well-being policies, satisfaction surveys, diversity, inclusion, and gender equality.



Code of Conduct

Supplier Code of Conduct is presented to SDC's suppliers.



CSRD readiness in SDC

We experience that our commitment to ESG and CSRD readiness matters to our customers and owners

CSRD readiness in SDC:

- SDC welcomes the growing focus on ESG in the business community
- SDC works with a CSRD (Corporate Sustainability Reporting Directive) readiness approach to be prepared for the future requirements
- SDC has established a co-operation with external advisor PwC to perform **our double materiality assessment (DMA)** as part of our readiness
- DMA to be followed up by a roadmap of compliance with the new requirements



**Corporate Sustainability
Reporting Directive
(CSRD) readiness**

(Double materiality analysis in 2024)

SDC to report due to the Corporate Sustainability Reporting Directive by the financial year of 2025

ESG by Design

SDC

SDC - Process for DMA



Number of workshops: 6
Steering group meetings: 2
Project time: Less than 6 months

Collaboration with dedicated team from PwC

*European Sustainability Reporting Standards (ESRS):
The objective of ESRS is to specify the sustainability information that an undertaking shall disclose in accordance with the CSRD directive.*

IROs: Impact, Risks & Opportunities



Final assessment of SDC

SECTOR-AGNOSTIC STANDARDS			
Cross-cutting standards	Topical standards		
	Environment	Social	Governance
ESRS 1 General principles	ESRS E1 Climate change	ESRS S1 Own workforce	ESRS G1 Business conduct
ESRS 2 General disclosures	ESRS E2 Pollution	ESRS S2 Workers in the value chain	
	ESRS E3 Water and marine resources	ESRS S3 Affected communities	
	ESRS E4 Biodiversity and ecosystems	ESRS S4 Consumers and end-users	
	ESRS E5 Resource use and circular economy		

Conclusion

*'The assessment resulted in **5 topical standards** being triggered with **associated material IROs**.*

This outcome provides the basis for determining SDC's upcoming reporting requirements'

European Sustainability Reporting Standards (ESRS):
The objective of ESRS is to specify the sustainability information that an undertaking shall disclose in accordance with the CSRD directive.

IROs: Impact, Risks & Opportunities

Collaboration with dedicated team from PwC



Next Steps

The double materiality assessment will be followed up by a roadmap from 2024 and onwards

**Gap
analysis**

**Governance
for data**

**System
support of
data**

**Draft
concept
ESG report
incl. CSRD**

**Readiness
for audit
approval**

Learnings

- **DMA is a cornerstone in the future work**
- **Get internal commitment**
- **Get started - get CSRD readiness plan approved**
- **Interact with external company due to high level of complexity, to facilitate the process, meeting deadlines but also to get questions that you not always can ask yourself**
- **Prioritize readiness and communicate internally and externally along the way to employees, colleagues, partners to share and learn**



SDC

Read more about SDC and our ESG ambitions



ESG at SDC



**SDC Strategy
2023 - 2025**



SDC



Q&A



Register for the upcoming webinars at pwc.dk/sustainability-2024

Strengthen Sustainability Reporting with Due Diligence Processes

24 April 2024

Kick-starting your Sustainable Business Transformation

23 May 2024

Corporate ESG Reporting 2024 - Learn From the Best

18 June 2024

Diversity and Pay Transparency - New Legislation

See the webcast

How will a Danish CO2 Tax affect the Industry and Agriculture? [In Danish]

See the webcast



Thank you for your attendance



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