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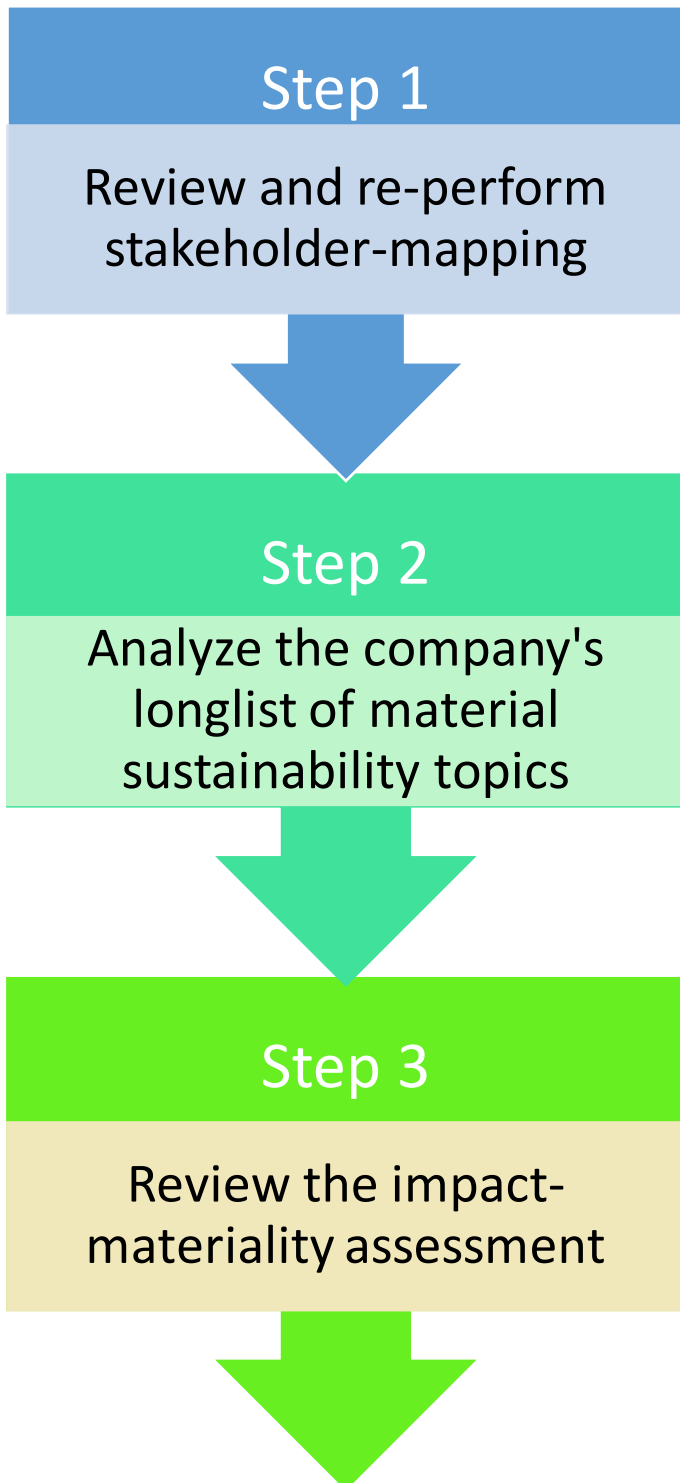
Accounting for Sustainability,
Social and Environmental Transparency

Assurance steps for auditing the double materiality assessment

EUROPESTARS AND
UNIONSTAR'S KEY CHECKS
TO BE PERFORMED

Besides the [materiality in auditing](#), with the new European Reporting rules on sustainability reporting the so called-concept of double materiality got more important. Double materiality in sustainability reporting refers to how the topics to be reported are determined. They have to be double material, that means their impact has to be material as well as their financial effect. (see pre-reading on ISAE 3000)

Within your assurance instructions you find the following information on auditing the double materiality approach. Basically, the Europestars and Unionstar’s approach comprises five key checks to be performed.



1. Review and re-perform stakeholder mapping:

A starting task for the DMA (double materiality approach) is to identify and map stakeholders that affect the organization and stakeholders that are affected by the organization. To check the completeness of the established stakeholder list, it is recommended to re-perform this mapping process. This exercise allows an evaluation of whether all relevant stakeholders of an organization have been identified.

2. Analyze the company’s longlist of material sustainability topics:

To ensure the completeness of the material topic list, review the sector-agnostic material topics identified and compare them to the topics outlined in the ESRS. Next, analyze the entity-specific topics that had been identified as unique to your organization’s industry, activities, and geographical reach. It is also important to make note not to forget potential material topics in the value chain. For each identified material topic, evaluate the reasoning and data for the topic as well as for the sake of consistency and how material topics are documented.

3. Review of the impact materiality assessment:

For each identified material topic, evaluate the justification for the direction of the impact (positive or negative), the type of impact (actual or potential), and the time horizon (short, mid, or long-term). Furthermore, assess the supporting documentation of the ranking of the scale of the impact, the scope of impact, the irremediable character, and the likelihood of occurrence of each material topic. It is important to note that where qualitative reasoning is used as justification to rank material topics, clear and traceable documentation is crucial. Notably, quantitative data for topic ranking could be achieved through internal and external interviews and surveys.

Step 4

Analyze the financial
materiality assessment



Step 5

Critically evaluate the final
shortlist of material topics

4. Analyze the financial materiality assessment:

The CSRD mandates that organizations investigate the financial impacts of material topics. Accordingly, for each identified material topic, it's important to assess the justification for the type of effect (risk or opportunity), the value chain category (upstream and suppliers, own operations, customers, downstream beyond customers or across the value chain), and the allocated time horizon (short, mid or long-term), as well as review the effect of the material topic on the ability to continue to use or obtain resources, maintain relationships, the size of financial effect, and the probability of occurrence. A key takeaway from this check is to gauge whether organizational expertise has been utilized in the justification of the rankings. For example, were finance experts in the organization consulted when the size of financial effects was determined? How was this documented?

5. Critically evaluate the final shortlist of material topics:

Once the material topics have been identified, justified, and ranked accordingly, make sure to have sufficient time allocated to assessing whether the final list of material topics are the most critical to your unique organization. Although there are strictly no limits, organizations tend to produce a short list of 8-15 material topics. Further, it is important to ensure that the identified material topics are intuitive and specific to your organization. A review such as this may force you to take a step back and ensure that the final list of topics is representative of what your organization does daily and evaluate what the organization needs to exist and function.