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Double materiality assessment 2.0:
Advancing from qualitative insights to quantified ESG risks and opportunities for stronger stakeholder buy-in and activation

19th January 2026

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Your speakers today

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Recap: Double Materiality Assessment (DMA)

What is a DMA?

Impact materiality

- **Inside-out perspective**: impact of the Company and its value chain on the environment, people and society.
- Defined as (positive or negative) **impacts (I)**

Material IRO's connected to sustainability topics

Financial materiality

- **Outside-in perspective**: impact of ESG (society and the environment) on the Company's financial performance.
- Defined as **risks and opportunities (RO)**

What do you learn?

1. **How sustainability affects society and enterprise value for your organization**
2. **On which CSRD datapoints you need to report**

How do you run the assessment?

1. Describe value chain and **stakeholder engagement**
2. **Identify impacts, risks and opportunities (IRO's)**
3. **Assess impact and financial materiality**
4. **Validate material topics and IRO's**
5. **Document and embed in operations**

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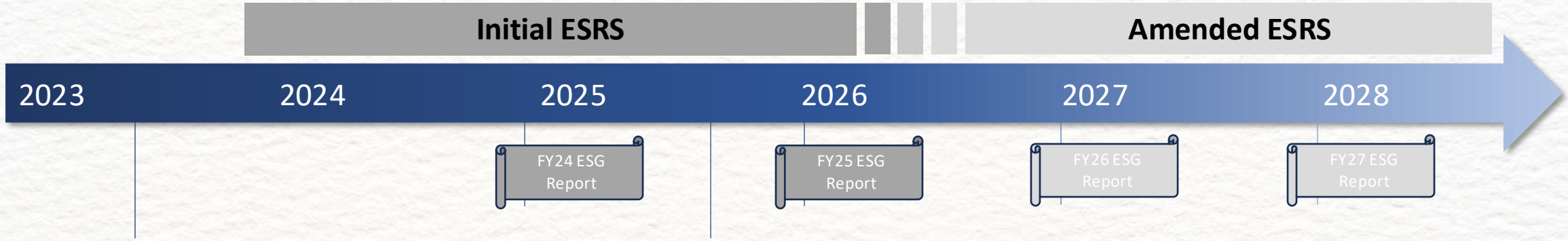
Bekaert project approach



First DMA

"Typical" project approach:

1. Scope, Value chain, Stakeholders
2. Identifying IROs
3. Evaluating IRO's and materiality assessment
4. Validation
5. Documenting and embedding

DMA update

Triggers:

A. Update the DMA to acknowledge changes in context
   ➔ Do updates have an effect on what we need to report?

B. To further embed DMA into business processes
   ➔ Focus on value creation and business unit focus areas

IROs: Impacts, Risks and Opportunities

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The added value of the DMA for business

DMA is the mandatory first step and is central to the CSRD. But beyond compliance, it provides a strategic lens that helps businesses identify the sustainability topics that matter most, both in terms of financial risk and real-world impact.

Compliance

Aligns with ESRS and CSRD expectations, providing the structural foundation for reporting.

Driving two agendas at once

Resilience & performance

Prioritizes resources toward sustainability topics that shape business resilience, innovation, and stakeholder trust.

The **DMA** helps to **focus** on what drives **value** and is truly **important** to the business and society.

Quantifying financial effects makes material IRO's more **tangible** and **concrete** and boosts business **buy-in.**

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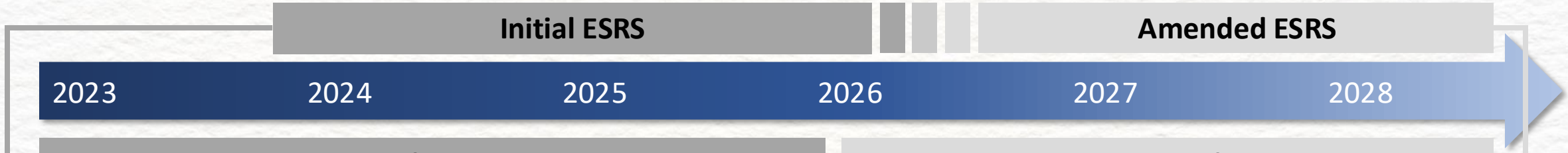
ESRS update: impact on reporting on financial effects



DR SBM-3, ESRS 2 paragraph 48

The undertaking shall disclose:
(a) a brief description of its material impacts, risks and opportunities …
(b) the current and anticipated effects of ….
(c) with reference to the undertaking's material impacts …
(d) **the current financial effects** …
(e) **the anticipated financial effects** …
(phase-in: omitted year 1, qualitative year 2+3)
(f) information about the resilience of the undertaking's strategy and business model …
(g) changes to the material IRO's …
(h) a specification of those IRO's that are covered by ESRS Disclosure Requirements …

DR SBM-3, ESRS 2 paragraph 23-33

25 & 27. … disclose qualitative and quantitative information about how material RO's have affected / are expected to affect its financial position, financial performance and cash flows for the reporting period (**current and anticipated financial effects**).
28. (new) … *need not provide* quantitative information about the current or anticipated financial effects if … :
(a) the effects are not separately identifiable; or
(b) the level of measurement uncertainty … is so high …
29. (new) … *need not provide* quantitative information about anticipated financial effects … if it does not have the skills, capabilities or resources
30. (new) … use all reasonable and supportable information available to it at the reporting date *without undue cost or effort* …
32. (48(f) amended) When providing quantitative information, the undertaking may present *single amounts or ranges*.

By quantifying anticipated financial effects, the result allows for future reporting compliant with (updated) ESRS requirements, but compliance was not the trigger to engage this deep-dive.

ESRS updates on DMA that are relevant to consider, even when applying initial ESRS framework

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ESRS update: impact on DMA (1/2)

Cross-Cutting	ESRS 1
	ESRS 2
Environmental	E1
	E2
	E3
	E4
	E5
Social	S1
	S2
	S3
	S4
Gov	G1

1. **Emphasis on Materiality of Information and when a material IRO triggers a topic to be reported**
2. **Introduction of "practical considerations" in determining material IROs and topics form a "top-down" perspective provide support and burden relief**
3. **Guidance how to consider prevention, mitigation and remediation actions ("gross versus net" issue)**
4. **Aggregation alongside disaggregation foster faithful presentation**

3.1 Materiality of Information	• In general, the role of **information materiality** has been clarified* • All data points are subject to **materiality of information** for users • Immaterial information may be included (e.g. when requested by rating agencies) when separately identified as such. **Additional information must not obscure material information** • Clarified that DMA has to be only **updated** whenever circumstances change
3.5 Practical Consider-ations	• Reduced granularity of assessment for **"obviously" (im-)material** (sub-)topics (labeled as "**top-down approach**")* • Reduced expected **level of evidence** to support conclusions for such IROs • Introduction of **undue cost or effort principle** in information gathering for DMA in general
3.3.1 Impact Materiality Assess-ment	• Severity of actual impacts is to be assessed **after mitigation and prevention actions implemented prior to their occurrence*** • **Mitigation and prevention actions considered may reduce severity and/ or likelihood** of potential impacts* • **Supportable evidence** is needed to take mitigation and prevention actions into account* • Consideration of significant **ongoing mitigation/ prevention actions** is not possible* • Remediation actions taken **during the reporting period or planned** to be taken in the future cannot be considered* • **Compliance with law and regulation are not positive impacts** • Business activities, products and services mitigating or remediating negative impacts of others are considered **positive impacts** of the reporting undertaking • New *ESRS 1.Appendix C* contains a **case overview on how to consider mitigation, prevention and remediation actions** in DMA and reporting
3.7 (Dis-) Aggregation	• Clarification that **information shall be reported at an appropriately (dis-)aggregated level** reflecting level of IROs while ensuring that material information is not obscured* • **IROs only relevant for part of group** may be reported at level of these activities

*Find ESRS 1 Exposure Draft here. AR = Application Requirement, IROs = Impacts, Risks & Opportunities. * = specific question in the public consultation. First column in the table does not refer to original ESRS titles of disclosure requirements.*

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ESRS update: impact on DMA (2/2)

Given that the Amended ESRS are not yet approved and transposed, the simplified process for materiality allowing top-down conclusion of (non-)material topics was not applied yet.

Simplification

Cross-Cutting: ESRS 1, ESRS 2
Environmental: E1, E2, E3, E4, E5
Social: S1, S2, S3, S4
Gov: G1

ESRS 1.0

Assessment of severity/magnitude and likelihood for every IRO

Impact Materiality = Severity x Likelihood

- Scale
- Scope
- Irremediable character — *For negative impacts*
- Likelihood — *For potential impacts*

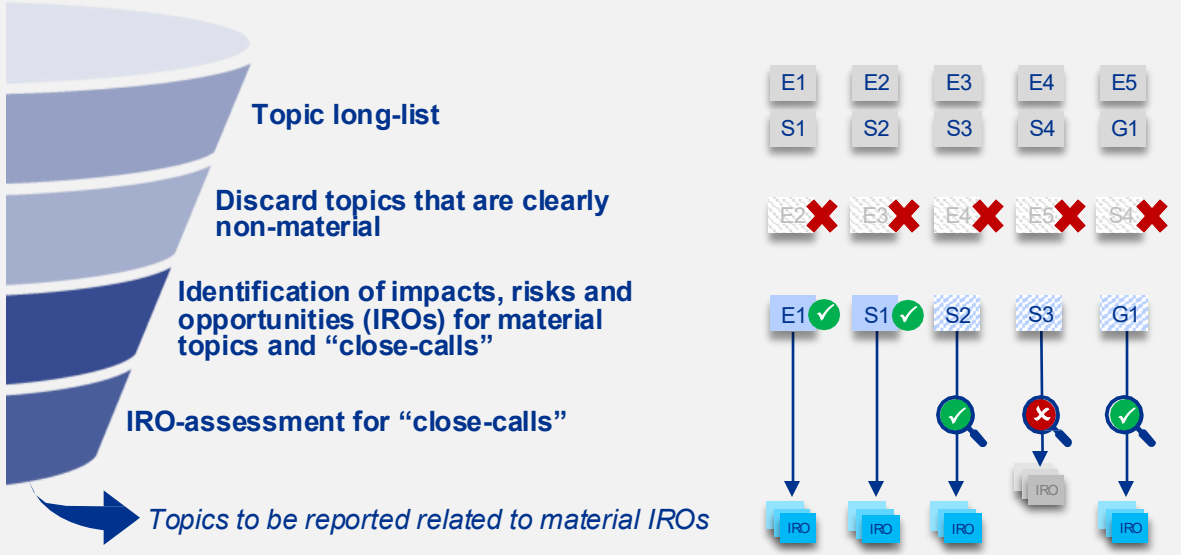
Financial Materiality = Magnitude x Likelihood

Exposure Draft [31.07.2025]

Assessment of severity/magnitude and likelihood only for those IROs which are not clearly material or immaterial

What does this mean for your reporting?

The DMA and its documentation is simplified; DMA based on ESRS 1.0 can still be used



Simplified visualization!

Analysis on sub-topic level recommended, e.g. "Corporate Culture in ESRS G1

Example

A Professional Service Firm P concludes that the topics in E1 and S1 are clearly material and E2 to E5 as well as S4 are clearly immaterial

- *For G1, S2 & S3, P identifies potentially material IROs and assesses their materiality **based on severity/magnitude and likelihood** to determine if they are above or below the reporting threshold.*
- *For E1 and S1, P identifies and describes the related material IROs **without the need to assess their severity/magnitude and likelihood**.*

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Approach for updating the DMA

Workstream 1

Review material sub-sub-topics → Review internal and external changes → Review stakeholder list → Stakeholder consultation → Review materiality assessment criteria → Finetuning IROs

Workstream 2

Mapping dependencies → Calibration and validation → Quantifying financial effects of material ROs

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Example of potential changes in the context

Illustrative changes compared to last update (non-exhaustive list)

Entities in scope	New acquisitions & divestments
Supply chain	Changes in market positioning and changing cost and risk profiles of key suppliers
Business relationships	Changes in business and its relationships
Stakeholder groups	Interviews with focus on regional differences & missing key suppliers and customers
Supplier trends	Capacity scaling, regional differences in sourcing, data availability and standardization
Competitor trends	Changes in transparency, product offerings and sustainability efforts
Customer expectations	Growing emphasis on sustainability, attention to cost efficiency, data transparency, regulatory alignment
Due diligence	Updated due diligence processes, including human rights policy and practices, and supplier risk screenings
Insights strategic BU deep-dives	Leverage BU strategic plans and ESG deep-dive sessions to update IRO evaluation where required
Geopolitical & market dynamics	Trade protectionism, tariffs, speed of green transformation and investments
Regulatory & policy shifts	Regional policy shifts, changing climate ambitions, fragmented ESG regulation, new emission regulations
Social changes	Diversity & Inclusion context changes, skill shortages, labor cost pressure
Technology, innovation and data	New technological trends, AI and automation, growing data maturity
Environmental factors	Climate adaptation & resilience planning, resource efficiency, circularity

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Review of materiality thresholds

Impact materiality: reviewed threshold

Impact materility threshold		
≥12	Critical	**Material:** limited to Critical and Significant, consistent with financial materiality threshold as also done by some peers
≥10 < 12	Significant	
≥8 <10	Important	Evaluated appropriateness of materiality threshold
≥5 <8	Informative	**Non-material**
<5	Minimal	

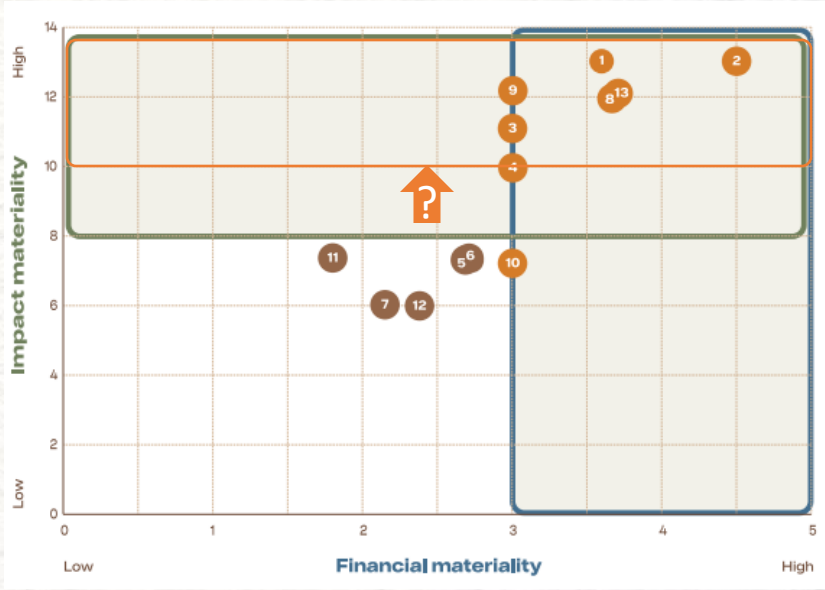
Financial materiality: threshold aligned with ERM and benchmarking

Financial materiality threshold		
≥4 to 5	Critical	**Material:** limited to High and Very exposures with elevated probability, consistent with ERM and benchmarking
≥3<4	Significant	
≥2<3	Informative	**Non-material**
≥1<2	Minimal	
<1	Non-existant	

Peer benchmark on thresholds

Threshold Impact materiality	
2 highest risk classes	3
3 highest risk classes	4
Not disclosed	13

Thresholds Impact vs. Financial	
Aligned	7
Different	5
Not disclosed	8



ERM: Enterprise Risk Management

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Leveraging AI

Scan	Scan large datasets to identify emerging sustainability impacts and risks (e.g., peer reports, sector studies, new internal documents); providing the existing risk & opportunity inventory as input in your prompt
Analyse	Analyse stakeholder inputs at scale for patterns and priorities, using transcripts from meetings
Assure	Improve consistency and traceability of scoring and assumptions

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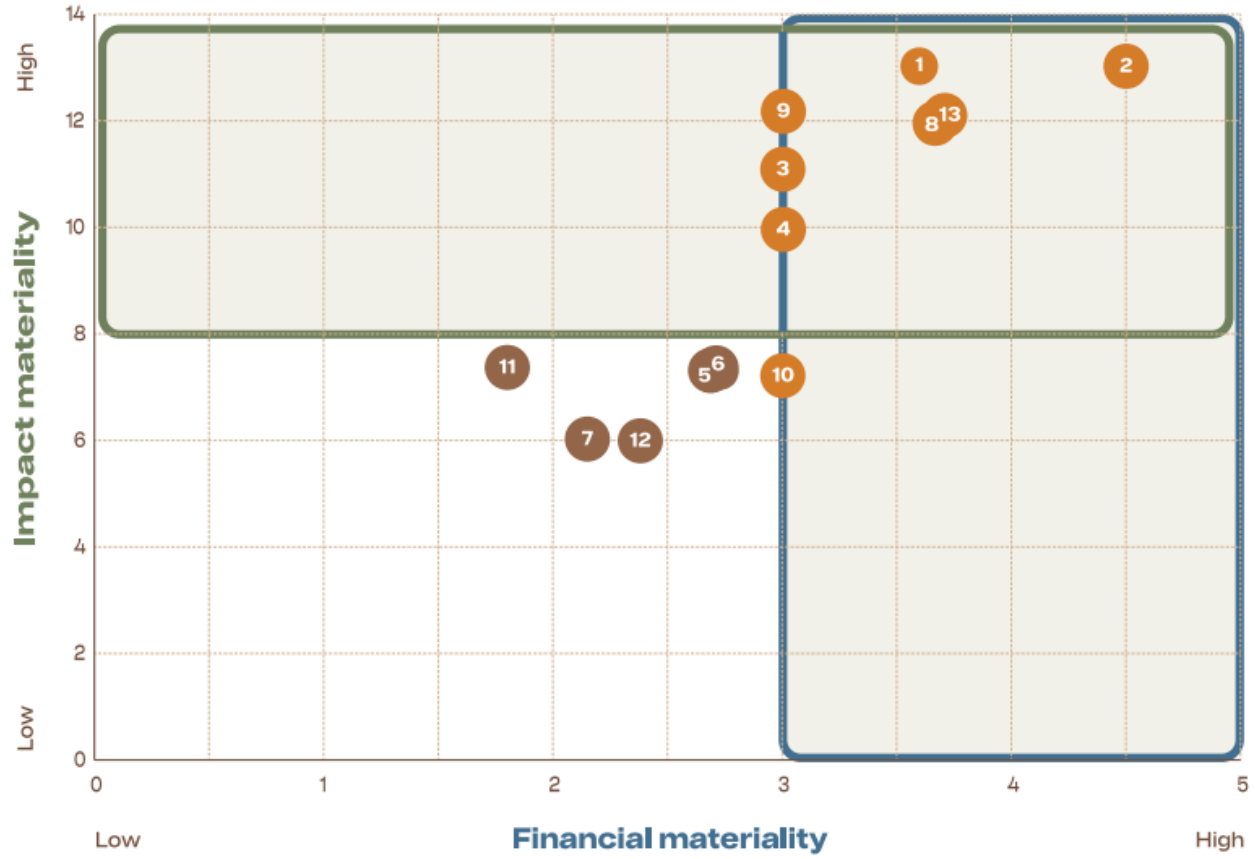
Outcome DMA update



Environmental topics (E):

1. Circular economy
2. Climate change mitigation
3. Hazardous substances and materials
4. Water
5. Climate change adaption
6. Pollution
7. Biodiversity

Social topics (S):

8. Own workforce
9. Workers in the value chain and human rights
10. Cyber and data security
11. Local communities
12. Product stewardship

Governance topics (G):

13. Business ethics

DMA 2024 (source annual report)

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Detailed approach for workstream 2: Quantifying financial effects of ROs

1. Identify value drivers

A 'value driver' tree provides a clear view of **what drives revenue and costs**, considering business segments, geographies, ….

This allows to delineate clearly how **ESG-related risks and opportunities** can have an **effect on top or bottom line**.

2. Develop RO-specific heuristics

For a prioritised set of RO's:

Develop an **RO-specific heuristic** to quantify the financial effects.

A heuristic is a **tailored algorithm or formula** to measure or approximate the size of the risk or opportunity.

The value driver tree supports **breaking down** the total financial effect of RO's into **specific data elements**, on which we can collect data.

3. Quantify financial impact

For each prioritised RO:

- **Collect all necessary information** (use rates, costs, etc.) based on Company specific or public data sources:
  - **Internal data** provided by sustainability and business experts (**buy-in**).
  - **External data** will be collected by KPMG. This can refer to scientific papers, sector reports, news articles, etc.

4. Summarize results

Connect the calculated financial impacts **to the P&L-statements**, and visualize impact of ESG-related impact on company's EBIT to further leverage the DMA in strategic decisions.

Communicate results internally and **integrate** in business processes.

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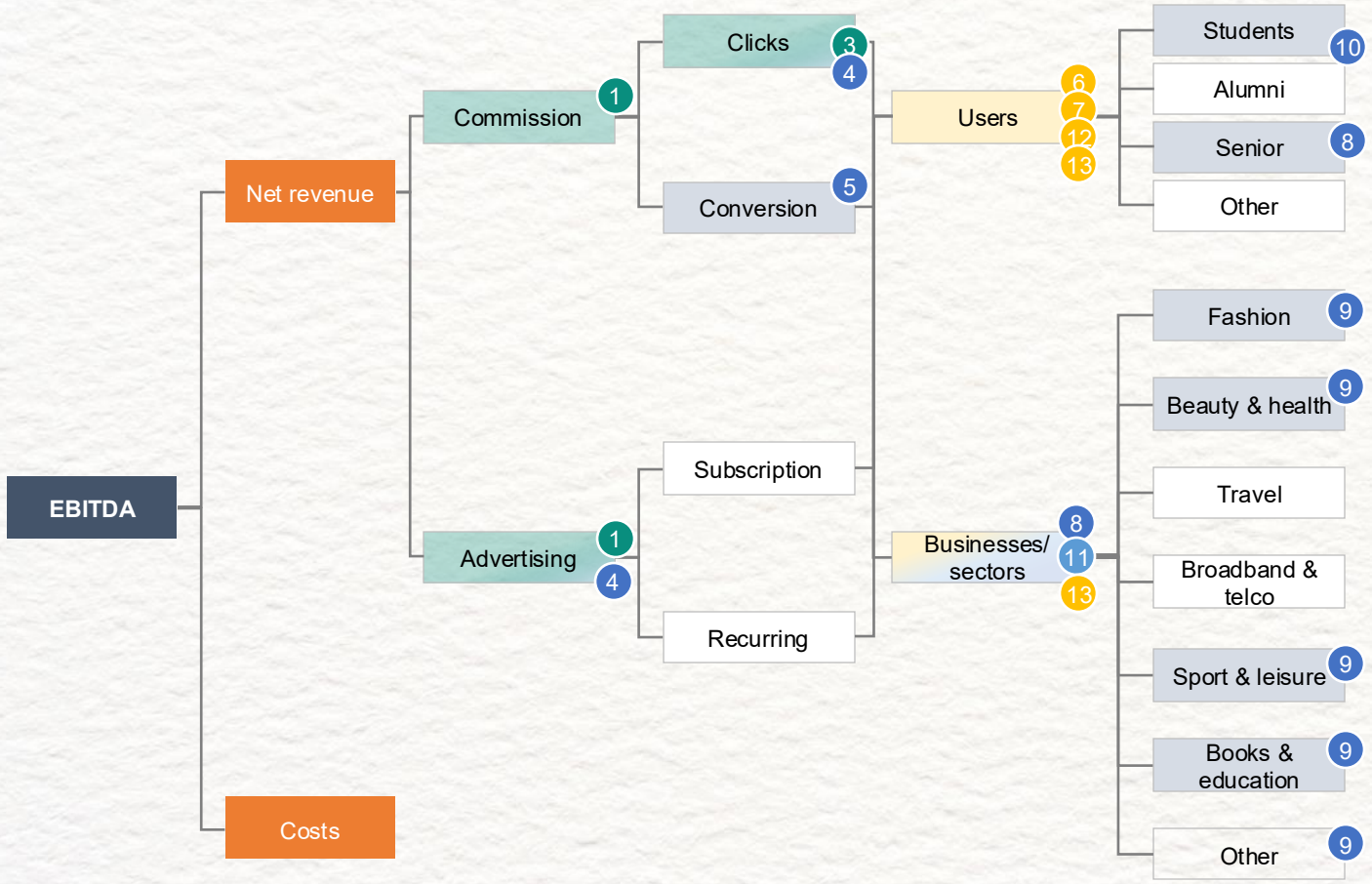
Identifying value drivers

An illustrative sanitised example of a 'value driver tree' is presented below. The value drivers connect the operational reality to the structure of the financial statements.



illustrative example

Identified value levers

1. **Decarbonization pathway**, incl. Scope 3, to meet partner standards and align with Inflexion's requirements
2. **UC accessibility** for people with disabilities, seniors and international users (language / alignment with WCAG)
3. **Green product labels**, e.g., by adding filters/certificates to support greener choices, incl. refurbs & secondhand
4. **Access to ESG-focused brands/roles** for virtual networking/mentoring/job shadowing as part of xxx contests for winners
5. **Integrating AI-chat bots** to improve access to customer support and reduce workload of employees
6. **Educational sustainability campaigns** by gamifying information on emissions/ waste impact
7. **Provide personalized ESG metrics** in users' dashboard, showing the E&S impact of their purchases
8. **New sustainability focused brands on the platform** to reach more eco-conscious consumers
9. **Strengthen the position of local brands** (sustainable and/or led by diverse groups) to create exclusive deals
10. **AI integration** for verification
11. **Partner selection (blacklisting etc.)**
12. **Eco-conscious closed user group**
13. **Positioning as sustainable brand**

Overall · Environmental · Social · Governance

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Illustrative: tailored RO-specific heuristics to quantify effects

illustrative example

RO #	Topic	IRO type	Description
1	Climate change mitigation	Opportunity	Improving energy efficiency and reducing energy consumption achieved by process redesign and implementing technological solutions will result in cost savings.
2	Hazardous substances and materials	Risk	Potential risk of litigation, fines, clean-up costs and reputational damage in case of contamination and or leakage of hazardous substances and chemicals.

Potential heuristic for RO #1:

$$\Delta E * C_E - I$$

ΔE: reduction in energy consumption, data collected via energy efficiency programme

C_E: Average cost of Electricity, per country and considering market conditions

I: investments required for energy reduction, based on the energy efficiency-programme

Potential heuristic for RO #2:

$$C * A$$

C: cost of fines and clean-up activities after contamination in EUR/m^2, based on historic data or publicly available cases of contamination

A: area at potential risk of contamination in m^2

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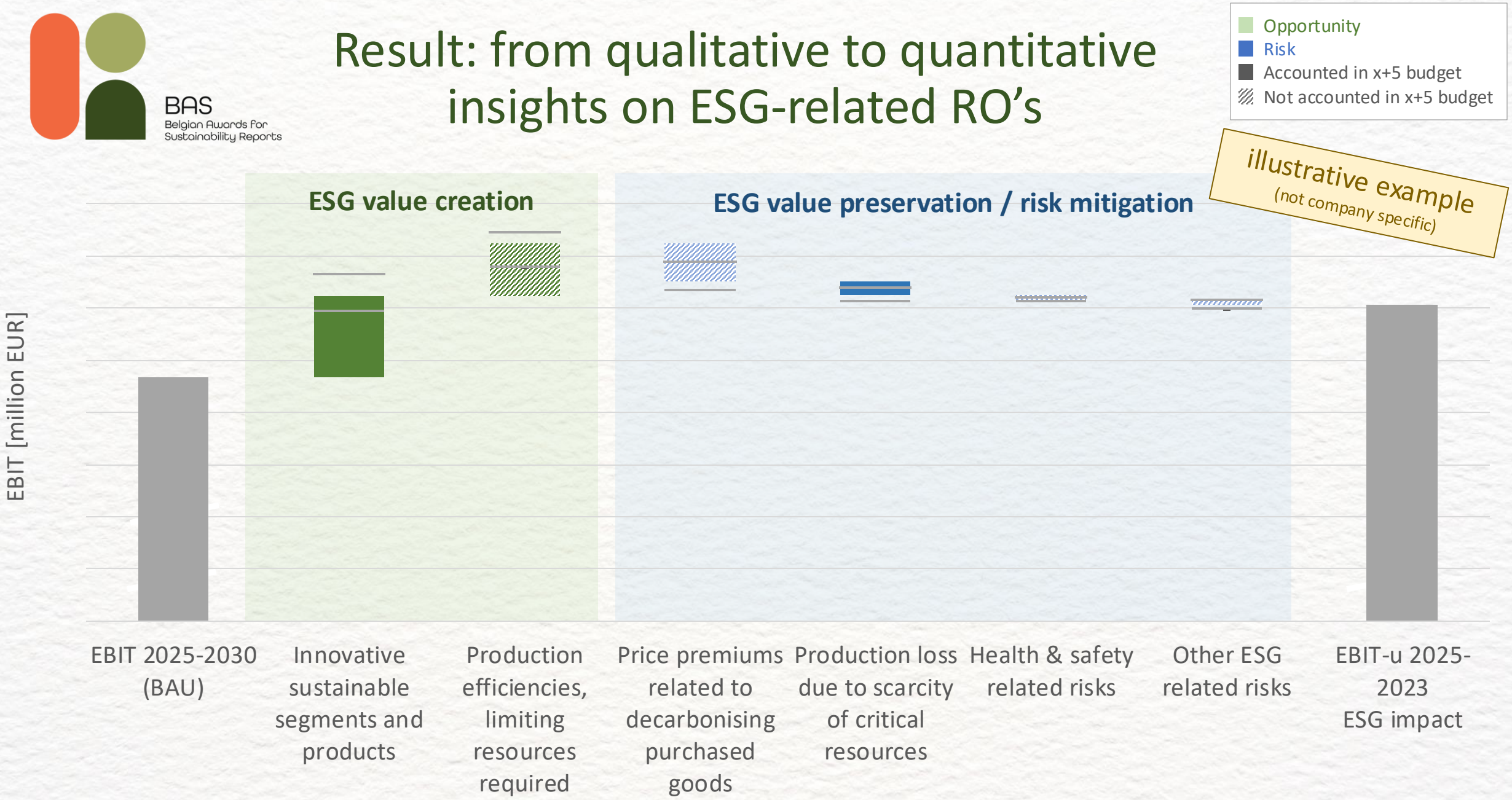
Result: from qualitative to quantitative insights on ESG-related RO's



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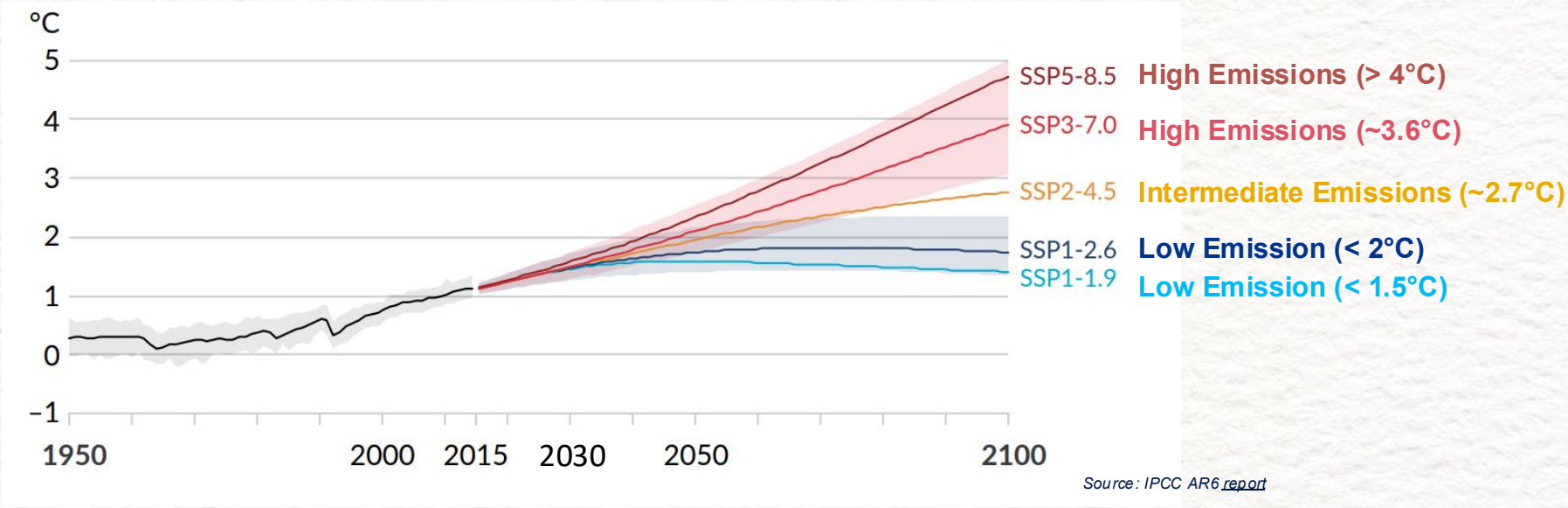
Managing the uncertainty associated with forecasting the future: scenario analysis

Climate change scenarios provide hypothetical representations of potential future climate conditions developed on the basis of a range of potential future socioeconomic development trajectories and associated levels of greenhouse gas emissions.



Source: IPCC AR6 report

Shared Socioeconomic Pathways (SSP's) are a set of scenarios that describe different socioeconomic development pathways and provide plausible narratives that consider factors like population, technology, and climate policy

Representative Concentration Pathways (RCPs) describe different levels of greenhouse gases and other radiative forcings that might occur in the future

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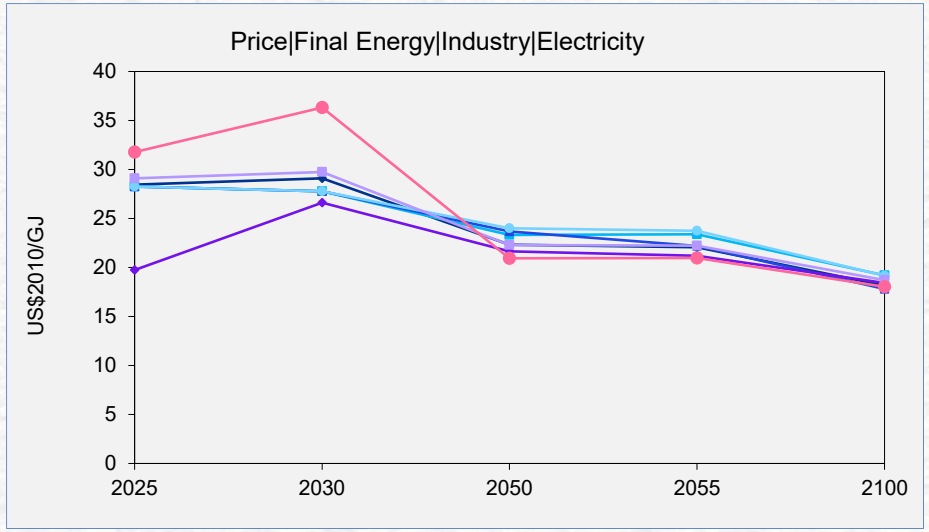
Climate scenario analysis allows for better understanding of transition risks and opportunities

Data elements are required to apply the heuristics (formula's) to calculate anticipated financial effects.

Climate scenarios provide a way to explore the impact on specific climate-related RO's, depending on how society evolves.



illustrative example

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Moving towards Simplified European Sustainability Reporting Standards (ESRS) Some key insights and recommendations

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Evaluation form

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Thank you for your participation